CANADA TRUSTCO ANNUAL REPORT 1980

CONTENTS

FOCUS ON PROPERTY INVESTMENTS

Acquisition of quality real estate assets is an area of significant growth for Canada Trust. At December 31, 1980 this portfolio stood at $72 million. Diversification is stressed and properties include retail and office developments, as well as commercial and residential subdivision lands. Investments are pursued both alone and on a joint venture basis.

This year's Report to Shareholders features photographs and commentary on several of the Company's property investments.

Annual General
Shareholders' Meeting
11 a.m. Tuesday, February 24, 1981
Holiday Inn, City Centre Tower
London, Ontario

Preference shares series B convertible and common shares are listed on Toronto, Montreal and Alberta Stock Exchanges.

V-Day valuation of common shares as at December 22, 1971 is $25.00.

Head Office: Canada Trust Tower
275 Dundas Street
London, Ontario, Canada N6B 3L1

Executive Office: Canada Trust Building
110 Yonge Street
Toronto, Ontario, Canada M5C 1T4

Member of The Trust Companies Association of Canada.

Additional information on the Company is available by writing or phoning E. Donald L. Miller, Vice-President, Corporate Affairs, Canada Trust Tower, 275 Dundas Street, London, Ontario, Canada N6B 3L1 (519) 673-6293.

We will strive to be a progressive, efficient and profitable enterprise, balancing the needs of shareholders, customers, employees and the public.

Communication

We believe in open dialogue.

Meaningful communication will be encouraged between the company and shareholders, customers, employees, governments and the public.

Community Service

We believe in active local involvement.

Time, talent and money will be contributed to organizations dedicated to the well-being of the communities in which we operate.

Costs

We believe in vigorous expense control.

Forecasting and control of capital and operating costs will be stressed with all employees to ensure maximum value for each dollar spent.

Growth

We believe in planned growth.

Growth will be produced by the expansion of facilities and services, acquisitions, innovations and aggressive marketing.

Marketing

We believe everything we do should give people reason to choose us over our competitors.

Marketing planning will be based on satisfying consumer needs and wants. Execution of these plans will be fully integrated throughout all areas of the Company's operations.

Organization

We believe in teamwork and the delegation of authority and accountability.

Delegation of clearly defined authority and accountability will be made to the appropriate level in the organization where an effective decision can be reached.

Personnel

We believe in recruiting, developing and maintaining quality staff.

Employee recognition will be assessed on performance and will be expressed in remuneration and career opportunities at least equal to other leading Canadian financial organizations.

Planning

We believe in formalizing the what/when/how of future directions.

Documented planning will be encouraged at all levels of management.

Profit

We believe business has a right to earn a reasonable return on its investment.

Management efforts will be directed at achieving a minimum 15% annual return on common shareholders' average equity fully diluted over the last five year period.

Security of Assets

We believe all assets in our care should be prudently controlled and protected.

Security measures will be maintained that protect the assets of the Company and its customers.

Social Responsibility/Consumerism

We believe people should be treated fairly and honestly.

Our business will be conducted within prevailing legislation and in such a way as to reduce the need for government regulation. Clear, concise product and pricing information will be readily available to the public. Branches will be staffed to provide knowledgeable advice. Advertising, promotion and personal selling will clearly state conditions of material significance.

PERFORMANCE AGAINST OBJECTIVES

Substantial progress was made in 1980 toward achieving several key objectives. Following is a comparison of performance against each of these objectives.

OBJECTIVE 1

Achieve a 15% return on common shareholders' average equity fully diluted over the last five year period.

Performance: Return on equity was 12.0% in 1980 and averaged 14.6% over the 1976 to 1980 period.

OBJECTIVE 2

Generate an additional $500 million in floating rate investments.

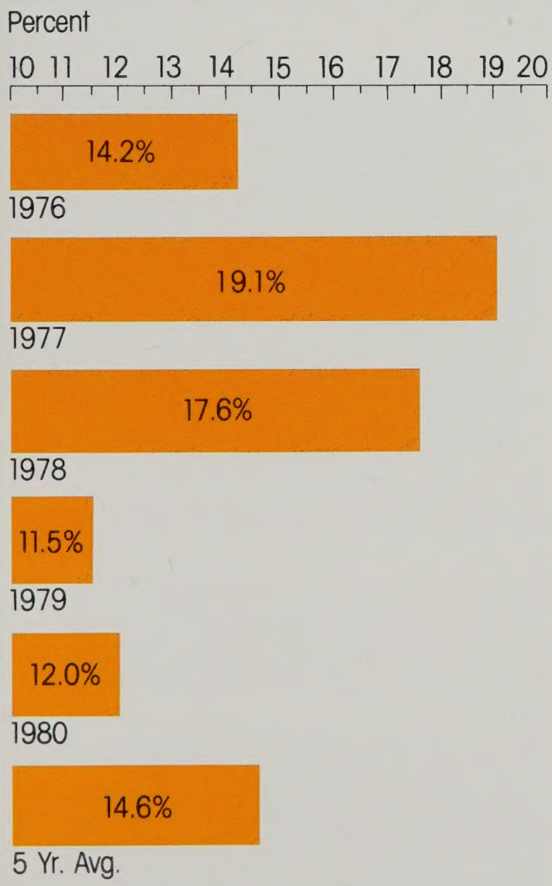
Performance: Exposure to interest rate fluctuations was lessened with the generation of $722 million in floating rate investments.

OBJECTIVE 3

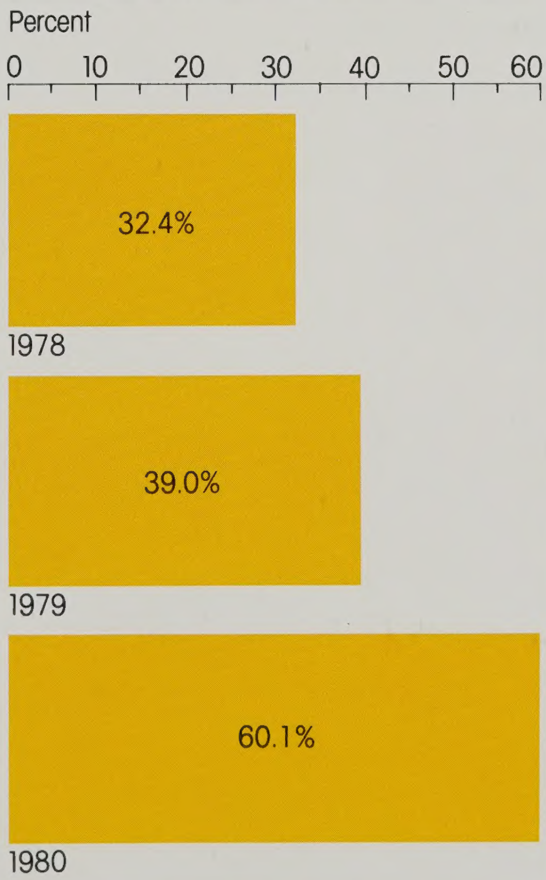
Achieve over $200 million in new and repeat retirement savings plan deposits with the total portfolio surpassing $1.3 billion.

Performance: Portfolio increase was $286 million, with 60.6% achieved in the January/February campaign period. The total portfolio was $1.4 billion at December 31, 1980.

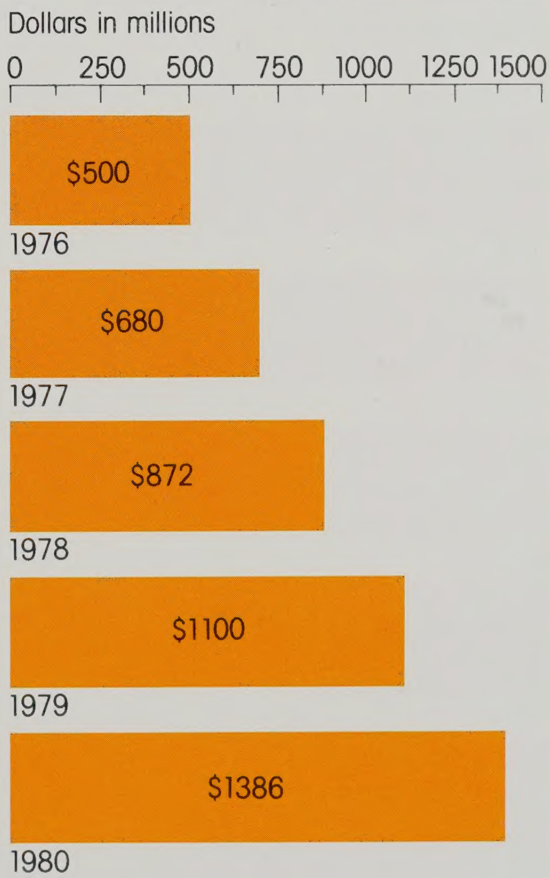
RETURN ON COMMON SHAREHOLDERS' AVERAGE EQUITY FULLY DILUTED



FLOATING RATE LIABILITIES COVERED BY FLOATING RATE INVESTMENTS



RETIREMENT SAVINGS PLAN PORTFOLIO



PERFORMANCE AGAINST OBJECTIVES

OBJECTIVE 4

Reduce by 5% the ratio of salary and benefit expenses per $1,000 of assets, and other non-interest expenses per $1,000 of assets.

Performance: Salary and benefit expense increased to $8.37 per $1,000 of assets in 1980 from $8.24 in 1979.

Cost control in other areas held the increase in non-interest expenses in 1980 to 5% per $1,000 of assets.

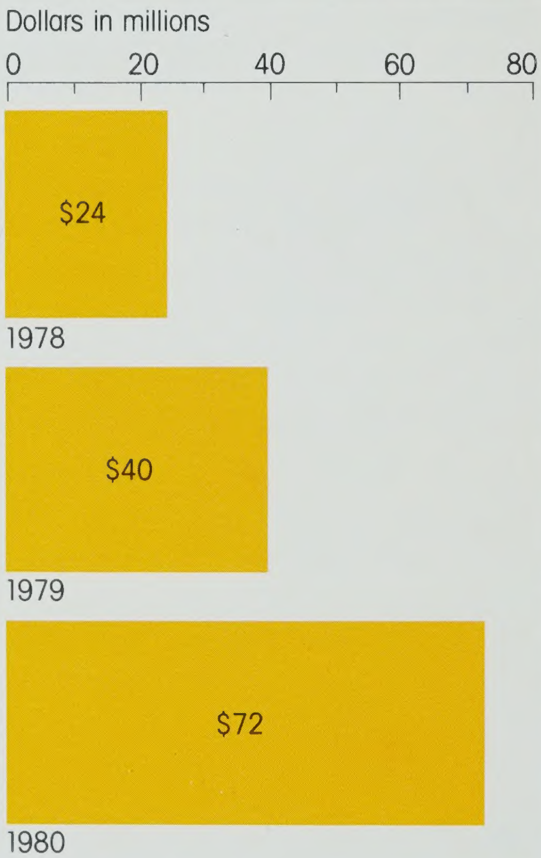
SALARY AND BENEFIT EXPENSE PER $1,000 ASSETS

OBJECTIVE 5

Increase to $70 million, the portfolio of real estate investment properties owned.

Performance: Portfolio increase was 79.9% in 1980 and the total portfolio stood at $72 million at December 31.

REAL ESTATE INVESTMENT PROPERTIES OWNED



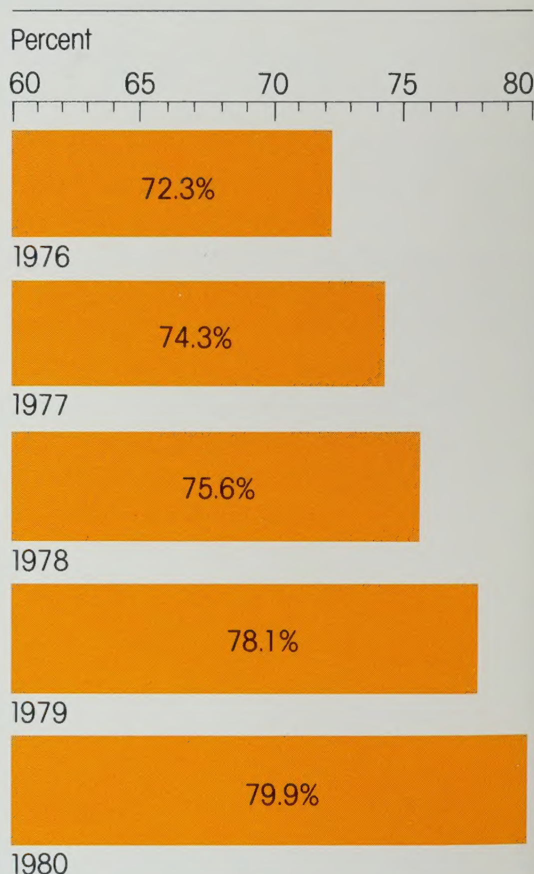
OBJECTIVE 6

Improve mortgage retention by introducing a communication package for existing customers and two new product features: mortgage life insurance and a six-month term on open mortgages.

Performance: Both new product features and the communications package were successfully introduced.

The percent of mortgages renewed was 79.9% in 1980 compared to 78.1% in 1979.

MORTGAGE RENEWALS



OBJECTIVE 7

Complete phase one of conversion to direct data entry for the general ledger accounting system as well as mortgage, personal trust and pension trust operations.

Performance: Phase one successfully completed, with significant productivity gains. Ultimately these conversions will result in the elimination of millions of pieces of paper.

OBJECTIVE 8

Continue to diversify lending activities outside the mortgage market: generate a volume of $13 million from sales finance efforts in the two regions in which this service is initially offered; increase the corporate loans portfolio by $300 million, 85% of this volume to be at a floating rate.

Performance: Non-mortgage investments were 37.1% of total assets at the end of 1980. Portfolio increases were $12 million from sales finance and $270 million from corporate loans, 100% of the latter being at a floating rate.

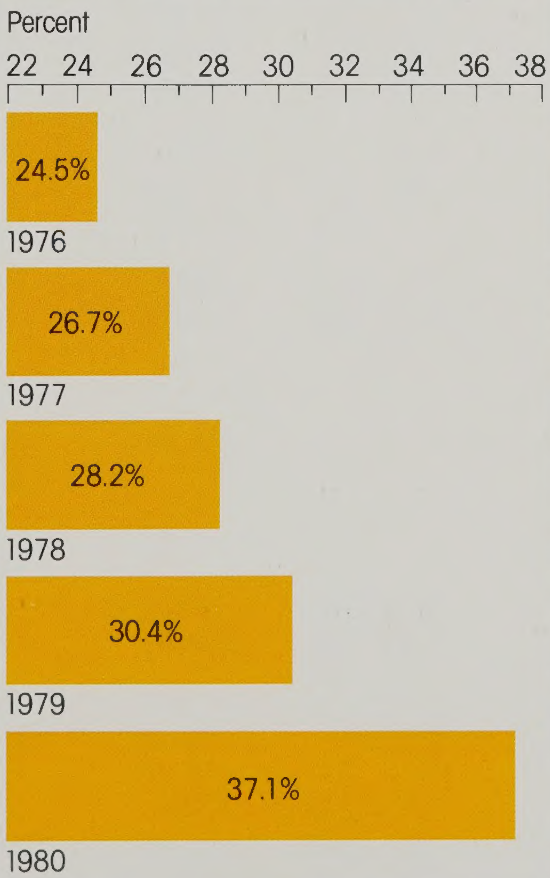
OBJECTIVE 9

Achieve over $1 million in first year fees as a result of new business developed in various trust services.

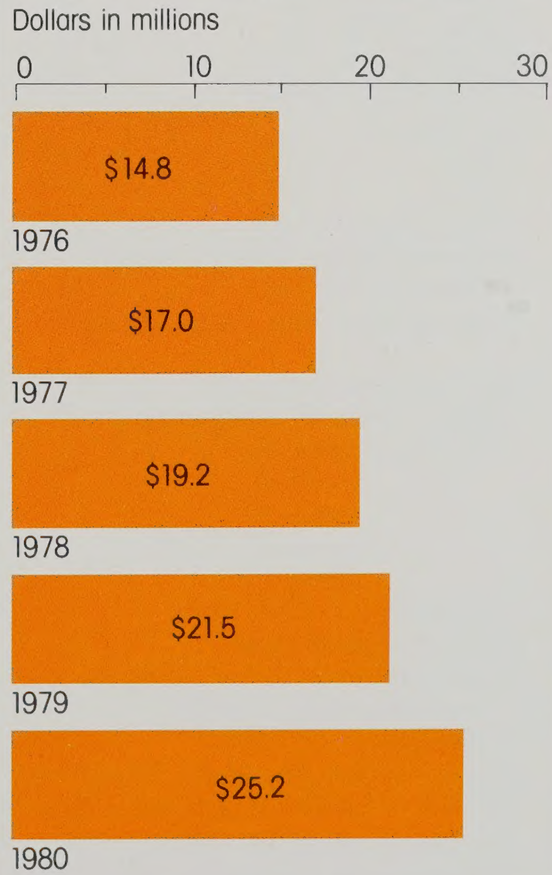
Performance: $1.8 million in first year fees were generated as follows: $.4 million from pension trust; $1.0 million from corporate trust; $.4 million from personal trust.

COMPUTERIZATION

NON-MORTGAGE INVESTMENTS
AS % OF TOTAL ASSETS



TOTAL PERSONAL, PENSION, CORPORATE
TRUST FEES



TEN YEAR RECORD

	Compound Growth Rate 10 Year %	Compound Growth Rate 5 Year %	1980	1979	1978
For the year (in thousands)					
Investment income	22.6	28.9	$ 782,325	$ 589,918	$ 466,325
Interest on deposits	23.9	31.4	684,700	511,345	372,683
Net investment income	16.6	16.8	97,625	78,573	93,642
Fees and commissions	17.2	14.2	59,232	49,365	43,962
Other income	36.9	39.0	2,997	2,550	940
Earnings before operating expenses	17.0	16.0	159,854	130,488	138,544
Operating expenses					
Salaries, commissions and benefits	20.1	18.3	79,742	66,002	57,149
Other	19.0	22.8	51,131	41,029	37,793
	19.7	20.0	130,873	107,031	94,942
Earnings before income taxes	9.6	4.3	28,981	23,457	43,602
Income taxes	(17.9)	(39.0)	790	(965)	11,718
Net earnings	16.8	14.9	$ 28,191	$ 24,422	$ 31,884
At year-end (in thousands)					
Assets under administration	17.5	20.8	$14,299,000	$11,840,000	$9,484,000
Personal, pension and pooled trust funds	15.9	17.9	6,694,000	5,438,000	4,333,000
Deposits	19.2	24.0	7,290,000	6,103,000	4,884,000
Loans	18.0	22.1	5,832,000	5,072,000	4,022,000
Shareholders' equity	16.2	16.2	256,000	247,000	222,000
Return on common shareholders' average equity-fully diluted	.2	(1.7)	12.0%	11.5%	17.6%
Per common share					
Net earnings					
Basic	9.2	5.4	$ 2.82	$ 2.64	$ 3.88
Fully diluted	8.8	4.9	2.72	2.54	3.61
Dividends paid	11.1	4.8	1.52	1.52	1.34
Shareholders' equity	8.3	8.9	23.07	21.75	20.66
Market price					
High	3.6	1.2	28⅝	27½	29⅛
Low	2.4	(3.9)	18	21⅜	22½
December 31	2.8	1.6	26½	22½	23¾
Price-fully diluted earnings multiple, December 31	(5.6)	(3.2)	9.7	8.9	6.6
Price-equity multiple, December 31	(5.3)	(7.2)	1.1	1.0	1.1
Statistical data at year-end					
Number of shares outstanding					
Preference series A			250,000	312,059	312,059
series B			1,418,011	1,478,955	1,500,000
series C			44,084	53,014	56,377
series D			1,250,000	1,250,000	1,250,000
series E			750,000	750,000	750,000
Common	3.6	7.3	7,867,770	7,829,611	6,988,971
Number of shareholders	4.0	1.9	6,930	7,263	7,241
Volume of shares traded during the year					
Preference series B and C			488,000	305,000	347,000
Common			1,796,000	1,352,000	696,000
Number of branches and mortgage offices	7.9	12.9	176	165	154
Number of full-time equivalent employees	8.5	12.9	4,282	3,705	3,227
Number of real estate offices	13.9	6.6	66	63	53
Number of real estate sales representatives	19.8	9.0	708	623	531

1977	1976	1975 Base Year	1974	1973	1972	1971	1970 Base Year
$ 396,591	$ 292,724	$ 219,984	$ 181,346	$ 149,793	$ 129,796	$ 114,946	$ 101,691
307,312	236,345	175,005	148,038	110,055	92,779	84,573	80,660
89,279	56,379	44,979	33,308	39,738	37,017	30,373	21,031
39,405	32,859	30,529	25,359	19,887	16,272	13,919	12,168
978	984	577	490	480	354	102	130
129,662	90,222	76,085	59,157	60,105	53,643	44,394	33,329
51,273	40,786	34,362	27,816	22,002	17,635	14,625	12,736
32,239	23,224	18,284	14,743	13,007	11,648	9,560	8,979
83,512	64,010	52,646	42,559	35,009	29,283	24,185	21,715
46,150	26,212	23,439	16,598	25,096	24,360	20,209	11,614
16,164	8,509	9,360	7,569	12,194	11,178	9,952	5,666
$ 29,986	$ 17,703	$ 14,079	$ 9,029	$ 12,902	$ 13,182	$ 10,257	$ 5,948
$7,860,000	$6,891,000	$5,563,000	$4,771,000	$4,167,000	$3,704,000	$3,228,000	$2,852,000
3,460,000	3,189,000	2,937,000	2,547,000	2,259,000	2,039,000	1,753,000	1,527,000
4,163,000	3,524,000	2,483,000	2,111,000	1,808,000	1,577,000	1,398,000	1,255,000
3,393,000	2,974,000	2,151,000	1,868,000	1,610,000	1,410,000	1,251,000	1,112,000
189,000	147,000	121,000	89,000	78,000	72,000	64,000	57,000
19.1%	14.2%	13.1%	11.2%	17.2%	19.3%	16.8%	11.8%
$ 3.76	$ 2.57	$ 2.17	$ 1.61	$ 2.34	$ 2.39	$ 1.86	$ 1.17
3.50	2.47	2.14	1.61	2.34	2.39	1.86	1.17
1.30	1.20	1.20	1.20	1.15	.93	.59	.53
18.15	15.71	15.06	14.54	14.15	13.06	11.66	10.41
29	26½	27	31¾	34¼	35	26¼	20⅛
20⅝	18¾	22	16⅛	26½	24½	19¾	14¼
29	21	24½	23½	31¾	34	24½	20⅛
8.3	8.5	11.4	14.6	13.6	14.2	13.2	17.2
1.6	1.3	1.6	1.6	2.2	2.6	2.1	1.9
312,059	325,000	380,280	425,000				
1,500,000	1,500,000	1,500,000					
56,437	56,437						
1,250,000							
6,988,763	6,988,663	5,521,088	5,521,088	5,521,088	5,521,088	5,521,088	5,521,088
7,252	7,401	6,309	4,612	4,654	4,617	4,558	4,678
450,000	215,000	263,000					
582,000	402,000	443,000	321,000	480,000	423,000	459,000	560,000
138	125	96	93	87	82	81	82
2,921	2,615	2,332	2,321	2,169	1,999	1,913	1,889
58	56	48	46	42	36	23	18
594	578	460	368	320	245	151	116

DIRECTORATE
At the annual shareholders' meeting on February 19, 1980, F.T. Metcalf, Toronto, D.H. Parkinson, Vancouver and H.R. Stephen, Victoria, were elected Directors of Canada Trust. T. Edmondson, K.R. MacGregor, E.G. Schafer, W.H. Sprague, J.D. Wilson and R.B. Wilson were not eligible for nomination as Directors because of age limitation. These gentlemen were named Honorary Directors in recognition of their valuable contribution over many years.

During the year J.D. Harrison, for reasons of health, resigned as a Director of Canada Trustco and member of the Executive Committee. He has requested that his name not be placed in nomination as a Director of Canada Trust at the annual meeting on February 24, 1981. As a Director since 1968 and solicitor since 1947, Mr. Harrison made a contribution seldom equalled in the annals of our Company. His wise counsel will be sorely missed.

In October 1980 W.J. Stenason, a Director of Canada Trust, was appointed a Director of Canada Trustco and a member of the Executive Committee. Walter J. Blackburn, a Director of Canada Trust, was appointed a Director of Canada Trustco.

LEGISLATION
Bill C-6 revising the Bank Act received Royal Assent on November 26, 1980, effective December 1, 1980. As well it established the Canadian Payments Association which will take over the clearing system from the Canadian Bankers Association. The purpose of the Payments Association is to plan the evolution of an electronic funds transfer system and to permit non-bank deposit-taking institutions direct access to the clearing system. Canada Trust is taking an active role in its formation.

Trust and loan legislation was delayed pending enactment of the Bank Act. Tabling of the Bill containing the new legislation should occur before Parliament recesses for the summer. Because it is the first major revision in the history of our industry, and is expected to propose a new concept of savings banks with trust powers, it will likely receive more scrutiny than any previous amending legislation.

Recent entry of the chartered banks into mortgage lending has adversely impacted the trust and loan industry and it has become critical that the industry be given broader powers to compensate. As the government is well aware of this unsatisfactory situation, there is valid reason to be confident that the new legislation will hold promise for the industry to maintain and improve its competitive position.

ACKNOWLEDGMENT
The Directors, on behalf of shareholders, wish to express gratitude to all employees for their dedicated service and hard work throughout 1980. Their efforts made possible considerable achievements in a difficult and challenging year.

EARNINGS
Operating conditions in 1980 were not dissimilar from those of 1979 – extremely volatile and inflationary. Notwithstanding, net earnings at \$28.2 million increased a moderate 15.4% from the depressed \$24.4 million in 1979. After dividends attributable to preference shares, net earnings per common share – basic were \$2.82 compared with \$2.64 in 1979 on the weighted average number of common shares outstanding.

On a weighted average and fully diluted basis, which assumes conversion of all outstanding convertible preference shares to common shares, net earnings per common share were \$2.72, up 7% from \$2.54 in 1979.

Percentage contribution to earnings before unallocated expense and income tax by business segment as detailed in note 10 was 82 intermediary, 17 fiduciary and 1 real estate sales compared with 85, 14 and 1 respectively in 1979.

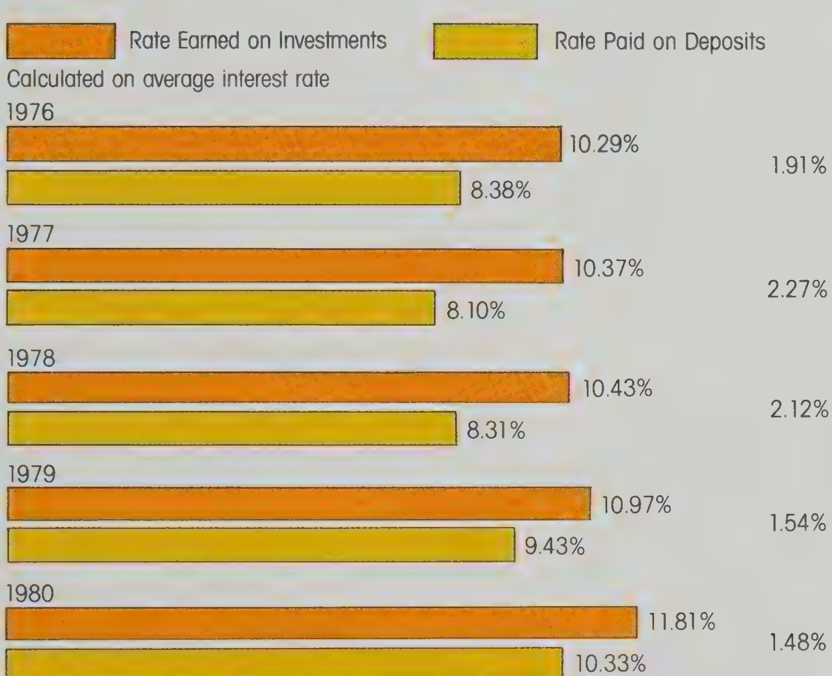
Intermediary, or savings and loan, segment contribution continued to languish due to both an ongoing mismatch of

Canada Trust Square, well-located at a major intersection in Hamilton, Ontario, was acquired in early 1980. Subsequently, adjacent property was purchased for potential expansion and parking. A company strategy is to own additional plazas housing branch operations.

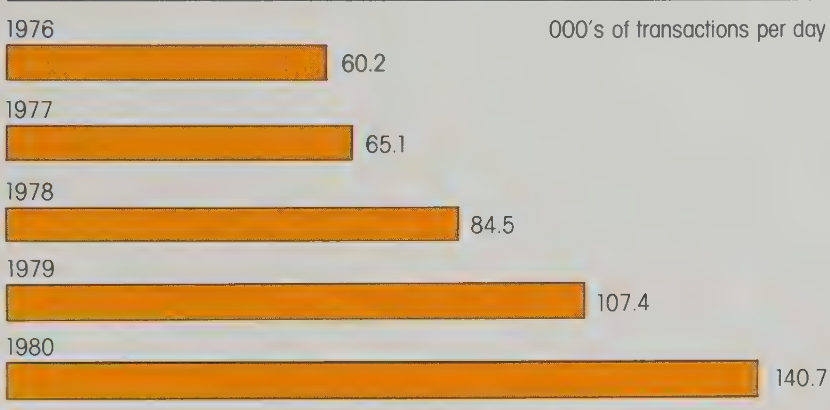
Eagleridge Business Park, an 11.6 acre commercial subdivision in Coquitlam, British Columbia, was developed by Canada Trust in 1980. As of year-end all lots were sold. Purchasers include such well-known names as Canadian Tire, Mother's, McDonalds and Burger King.

NET EARNINGS – FULLY DILUTED AND DIVIDENDS PAID PER COMMON SHARE

INTEREST RATE SPREAD – TAXABLE EQUIVALENT BASIS



GROWTH IN ON-LINE SAVINGS TRANSACTIONS



interest-sensitive assets and liabilities and to rapidly escalating operating costs, largely a result of the inflationary environment. A discussion of interest sensitivity follows in the finance section of this report.

Interest rate spread on a taxable equivalent basis was little changed at 1.48% in 1980 from 1.54% in 1979. Historically high interest rates which prevailed throughout most of the year, in particular in the first quarter, compressed spread and retarded efforts to match interest-sensitive components of the consolidated statement of condition.

Intermediary contribution was aided by strong performance from net income on real estate investment properties. This division has attained sufficient significance in overall operations that its income has been segregated in the consolidated statement of earnings with supporting detail in note five.

Fiduciary segment operations showed dramatically increased contribution to earnings – $7.8 million in 1980 compared with $5.1 million in 1979. Trust business continues to be a major and vital division commanding its appropriate share of corporate resources.

Real estate sales segment contribution to earnings was again modest reflecting, for the most part, acquisition expenses written off during the year. Most acquisitions were in the Kitchener-Waterloo area where a position of prominence is now held.

The effective rate of income taxes provided in the consolidated statement of earnings increased to 3% in 1980 from a negative 4% in 1979. Interest and dividends received or receivable from income debentures, preference and common shares of taxable Canadian corporations, which are non-taxable when earned by a Canadian corporate holder, were in an amount slightly less than net taxable income in 1980 compared with slightly greater in 1979.

Operational losses for the first full year of MasterCard services together with costs of an ongoing aggressive expansion of the branch system adversely affected earnings. Both represent a necessary expenditure which will enhance future results.

ASSETS UNDER ADMINISTRATION

Business volumes as measured by assets administered at year-end were $14.3 billion in 1980, an increase of 21% from previous year-end. Corporate assets increased by $1.2 billion or 19% to $7.6 billion. Personal, pension and pooled trust funds under administration increased by $1.3 billion or 23% to $6.7 billion.

Shareholders' equity was $256 million at year-end 1980, up $9 million from one year prior. Contributed surplus increased $1 million to $69 million. Retained earnings increased $10 million to $97 million. Capital stock decreased $2.6 million due entirely to redemption and conversion of preference shares.

The deposit multiple of shareholders' equity calculated in the manner prescribed by the Department of Insurance (Canada), was 22.94 times at December 31, 1980 compared with 19.64 times at December 31, 1979. The Company's maximum permitted multiple is 25 times at present. Consequently, market conditions permitting, expansion of the capital base will be undertaken within the next 18 months through issuance of

either common shares or securities convertible into common shares.

FINANCE

Corporate Investments – Unprecedented volatility in interest rates in 1980 created an environment in which timely matching of assets and liabilities was the most difficult in recent decades.

Demand deposits grew rapidly as a result of successful introduction of new services, branch expansion and high liquidity preference of depositors.

To properly match this cash inflow a strategy was aggressively pursued aimed at acquiring floating-rate investments. Such assets provide a variable rate of return as prime loan rate and the rate paid on savings deposits change simultaneously with the general interest rate structure. The imbalance of interest-sensitive investments to interest-sensitive deposits increased from $975 million at the beginning of 1980 to $1,066 million at December 31, as illustrated on page 27.

Approximately $193 million of floating-rate investments guaranteed by Canadian provincial governments and $115 million floating-rate obligations of Canadian financial institutions were acquired. An additional $146 million floating-rate assets were added through loans to many large Canadian corporations. Floating-rate mortgages were increased by $90 million of which $29 million was comprised of six-month renewable mortgages which are virtually a floating-rate asset. Entering 1981 floating-rate investments will continue to command priority.

Growth in money market operations continued and at December 31, 1980 $857 million of cashable term deposits were outstanding. Utilization of money market capability as an essential tool of cash management allowed leveling cash flows from investment certificates into mortgages while simultaneously contributing net interest income of nearly $3 million.

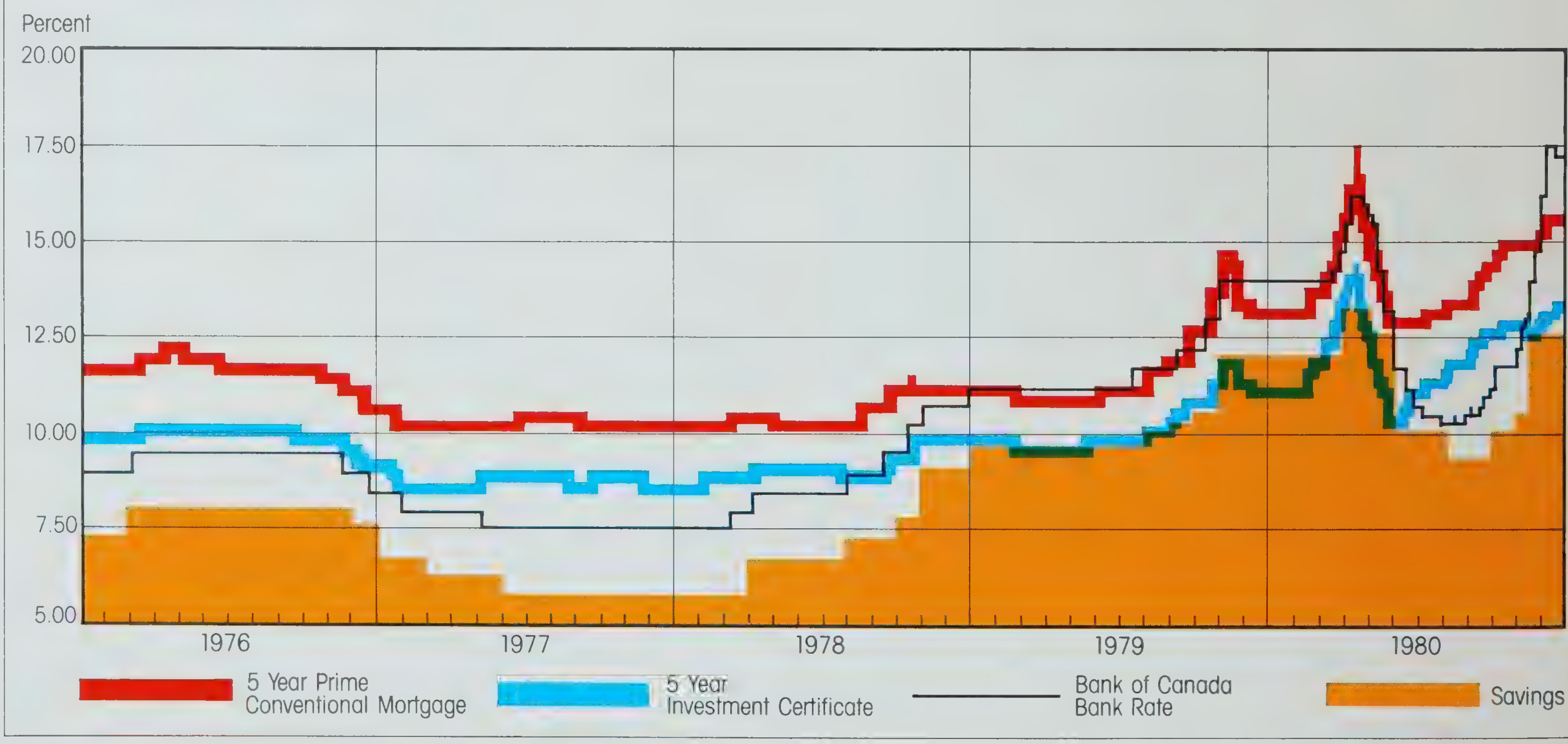
Holdings of Government of Canada securities increased moderately. Floating-rate provincial securities, which are also eligible statutory liquid assets, were favoured. The securities portfolio generated gains, net of income taxes, of approximately $4.4 million. These gains were credited directly to the allowance for investment losses and are reflected in the statement of earnings only to the extent of their effect on the annual provision, if any, charged to other expense.

Trust Investments – The investment scene was again dominated by the escalating price of energy and fear of potential shortages as world events continued to follow a dramatic and erratic course. In Canada, the inability of governments to agree on a common approach to energy problems has led to unilateral actions which have produced major discontinuities in the investment environment. At year-end, there remained an extreme degree of uncertainty in the energy field.

The long awaited North American economic recession arrived with vengeance in second quarter 1980. The policy-induced slowdown was the result of willingness of monetary authorities to restrict credit and permit interest rates to move sharply higher, coupled with U.S. President Carter's mid-March revised budget which promised spending restraint. Subsequent easing of monetary policy and removal of credit controls allowed rates to drop sharply by June and a weak recovery was evident in the third quarter.

Unfortunately, the mini-recession of 1980 has done little to improve the prospect of dealing with inflation. Food and energy prices continue to exacerbate inflation numbers. However, the run-up in interest rates in late 1980 is increasing the probability that a second recessionary dip will emerge in early 1981. Any subsequent recovery is likely to be sluggish and protracted.

COMPARATIVE INTEREST RATES



Faced with persistent double digit inflation in 1980, investors abandoned long-term debt markets in favour of less risky, shorter vehicles and forced re-emergence of attractive extendible-retractable issues. For most of the year all types and maturities of fixed income debt offered significant real rates of return after inflation. The outlook for fixed income investments is moderately positive for first half 1981.

For the third consecutive year, Canadian equities turned in an excellent performance. Corporate earnings will be under pressure in 1981 and a cautious stance is now appropriate.

SAVINGS AND LOANS SERVICES

Demand Savings – During 1980 total deposits increased by $1.2 billion, including $903 million in demand and cashable term deposits compared with $1.2 billion and $633 million respectively in 1979.

A number of factors contributed to this success. Market acceptance of the daily interest savings account was enhanced in April when the convenience of chequing was added at no cost to the customer provided a minimum balance of $1,000 is maintained. In November customers were given the option of having a passbook rather than a statement for this account, making it truly the one and only account most customers require. The financial services network was extended in 1980 with the addition of 15 new branches. Financial services branches totalled 173 at year-end compared to 162 at December 31, 1979. "Eight to eight, six days straight" extended hour service is now offered at 95 branches compared to 74 branches in 1979.

Rapidly escalating costs of delivering services to demand savings customers is a growing concern in the industry. To improve efficiency, the introduction of specially encoded personalized cheques was commenced as a step toward further automating the process. As well, service charges were reviewed and where warranted increased or new charges instituted.

Term Savings and Registered Retirement Savings Plans – R.R.S.P.'s experienced excellent growth in 1980. Total contributions for the year exceeded $260 million and 40,600 new planholders were added. Over 175,000 R.R.S.P.'s with Canada Trust had a collective investment of $1.4 billion at December 31, 1980.

Effective January 1, 1981, the plan commenced paying interest from day of deposit on all investment options and an administration fee for certain withdrawals was introduced to help recoup the processing cost.

Post-retirement product changes involved extending maximum term of fixed term annuities from 19 to 30 years and introduction of a self-directed retirement income facility for the individual who wishes to manage his or her retirement investment portfolio.

The term deposit increase of 8% in 1980 compared with a 19% increase in 1979. In times of economic uncertainty, many depositors are reluctant to commit funds for terms of four to five years. As a result, 66% of new deposits and renewals were for terms of three years or less. Cashable term deposits continue to show steady growth with a $167 million increase.

In the past all term investment certificates matured on the first day of the month. In 1980 an any-day maturity feature was introduced to give more flexibility to customers and reduce the processing bottleneck around the first of the month.

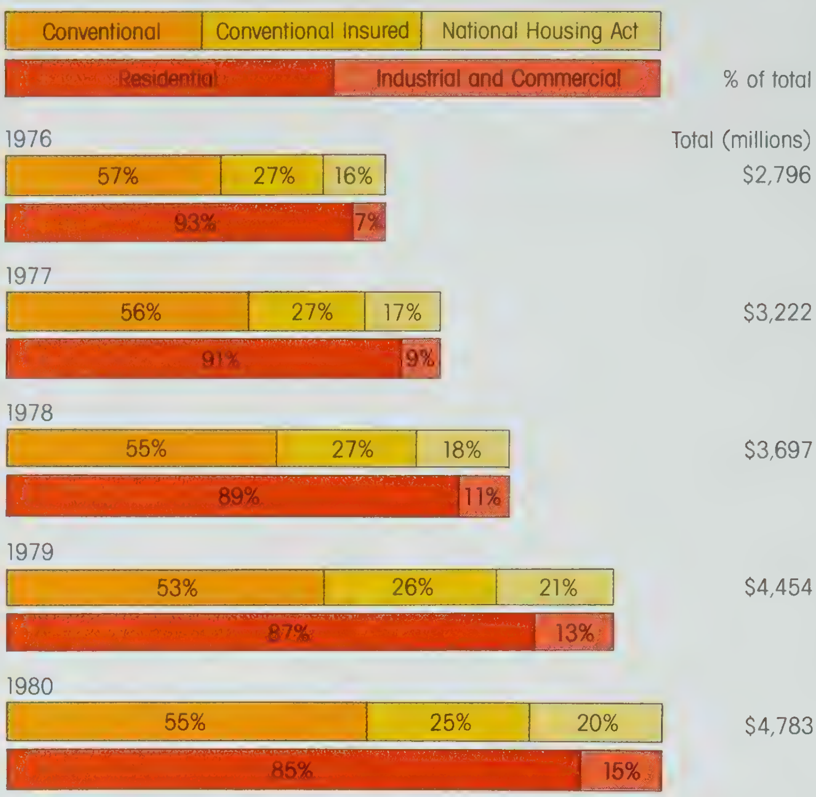
Income Averaging Contracts and Registered Home Ownership Savings Plans experienced modest growth in 1980. The I.A.C. portfolio now stands at $144 million; deposits of 29,000 participants now total $83 million in the R.H.O.S.P. portfolio.

Credit Card Services – Growth in number of Canada Trust MasterCard holders continued strong throughout 1980. At December 31, 1980 there were 156,000 cardholders with $28.3 million of

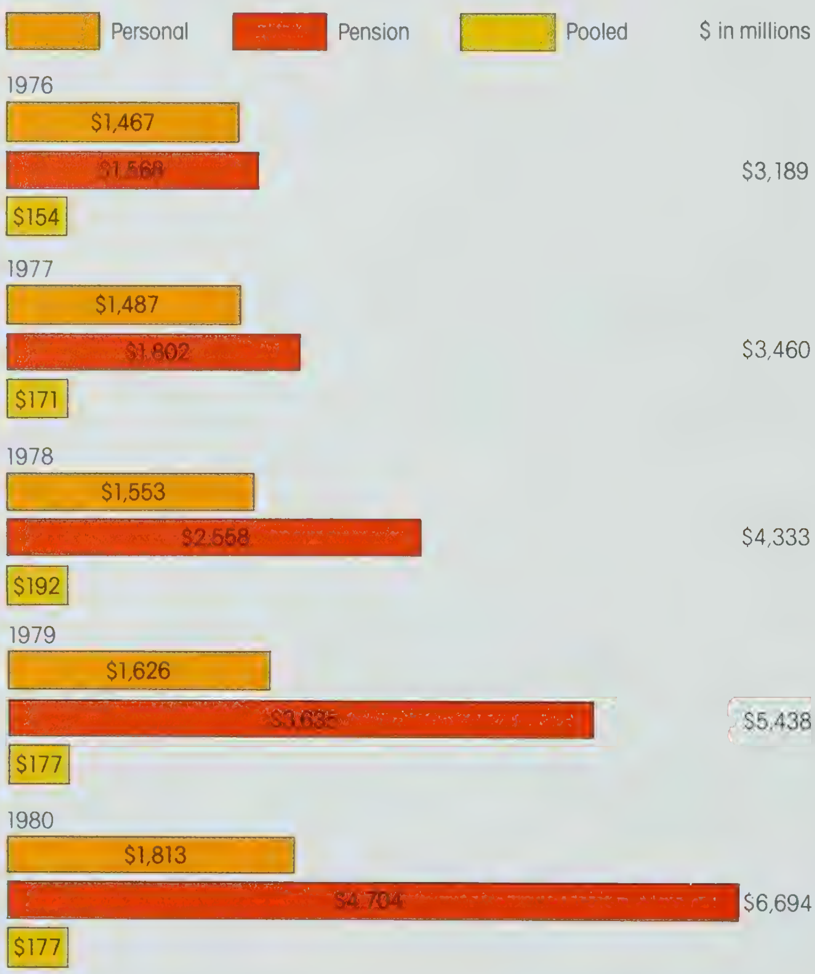
The Canada Trust Building, nine storeys of modern office space, strategically located in Alberta's capital city, is company owned. Edmonton Main branch is one of the tenants.

Duncanbrook, a 215,000 square foot office complex in suburban Toronto, is a joint venture development, 50% owned by Canada Trust. Major tenants include I.B.M. and Harlequin Enterprises. Company interest in adjacent land was sold in December, 1980.

MORTGAGE LOANS



PERSONAL, PENSION AND POOLED TRUST FUNDS



receivables outstanding. Card usage was 2.6 million times representing gross sales of $109 million.

Losses incurred comprised of bad debts and frauds amounted to $436,000. The loss ratio of 1.96% of average receivables and 0.40% of gross sales was well within industry standards.

Loans Services – Consumer loan demand varied across the country. Consequently, development strategies were altered. Programs were run in selected markets rather than on a national basis. An investment loan package resulted in excellent volumes. The sales finance program has proven most successful in the introductory markets.

During the year 70,900 loans representing $438 million were granted. The portfolio stood at $489 million at year-end comprised of 84,100 loan accounts.

The 30 day arrears ratio at 0.76% of total loans compared to 1.04% as at December 31, 1979. Net losses amounted to $860,000 or 0.18% of portfolio compared with $668,000 or 0.26% in 1979.

Residential Mortgage Services – Mortgage demand was weak during first half 1980 as interest rates skyrocketed. Second half 1980 improved as the real estate market strengthened and interest rates moderated somewhat until late in the year. Residential mortgage applications approved totalled $615 million, down from $861 million in 1979. During 1980 51% of accepted applications financed existing housing compared to 49% in 1979.

Demand for shorter term mortgages was strong with 50% of new loans and 77% of renewals for terms of three years or less. In March a six-month term open mortgage was introduced. This portfolio was $29.1 million at year-end. A life insurance option was added in 1980, and over 7,400 homeowners subscribed.

PROPERTY INVESTMENTS

Industrial, Commercial Mortgages – Lending services were expanded to provide flexibility and to more aggressively pursue floating-rate interim and construction loans, thus complementing fixed-rate lending programs.

Total industrial, commercial mortgage loans committed during the year were $190 million. The portfolio increased $132 million or 22% over 1979.

1980 Mortgage Statistics – Residential and Industrial, Commercial – Mortgage applications approved totalled $859 million including $77 million for pension and other clients, and at December 31 the total portfolio administered was $5.3 billion.

At year-end, accounts in arrears 90 days or more were 0.49% of portfolio compared to 0.38% at December 31, 1979. By dollar amount 0.03% of the portfolio was in arrears 90 days or more at year-end compared with 0.02% one year earlier.

During 1979, the Company acquired 717 properties in settlement of loans with a claim value of $22.1 million. In 1980 676 properties were acquired totalling $26.7 million. Real estate acquired in settlement of loans at December 31, 1980 was $13.4 million comprised of 637 properties. Of these properties 79.6% were acquired through foreclosure of loans insured under National Housing Act and 18.2% with private

insurers, all of which will be settled without loss. The balance of 2.2% comprises uninsured mortgage foreclosures. Disposition of 48 foreclosed properties during 1980 resulted in a net loss of $443,000.

Real Estate Investments – 1980 was a year of growth and change for Truscan Realty Limited, the wholly-owned real estate subsidiary. To improve performance and profitability the control of property management and leasing was consolidated with Truscan's building operations. All real estate, including owned branch premises, is now held and managed by Truscan. Continued improvement in operating cost efficiencies is anticipated.

Acquisition of quality real estate investments continued, pursuing developments both alone and on a joint venture basis. At December 31, 1980 the portfolio stood at $72 million compared with $40 million one year earlier. This diversified portfolio includes retail and office properties, as well as commercial and residential subdivision lands located primarily in British Columbia, Alberta and Ontario.

Property housing Timmins branch was purchased as well as a building in Calgary to house a central administration unit. A property in Ottawa was acquired for expansion of the branch system in that city. Former branch properties at Toronto Eglinton West, Regina and Thorold were sold as was the property in London formerly occupied by the printing and stationery department.

Land sales of consequence included a parking lot in downtown London, Ontario, commercial acreage in Surrey and Coquitlam, British Columbia and joint venture property zoned for future office buildings in the Don Mills area of Toronto.

Branches and Premises – During 1980 fifteen financial services branches were opened across the country – White Rock Semiahmoo Shopping Centre, Victoria Quadra and Richmond Seafair in British Columbia; Calgary Centre Street, Edmonton Delton Square, Edmonton St. Albert and Red Deer Bower Plaza in Alberta; Regina Gordon Place in Saskatchewan; Toronto Lawrence and Pharmacy, Toronto Lawrence and Burnview, Mississauga South Common, Ottawa Richmond, Hamilton Upper Ottawa and Fennell, Ancaster and Brantford in Ontario. Four branches in Ontario were closed.

Major renovations were completed at London Oakridge, Waterloo Lincoln Plaza, Burlington Mall and the main branches in Hamilton, Toronto and Montreal.

The branch in Dundas and the printing and stationery facility in London were relocated into new company-owned buildings. Hamilton Centre Mall, Calgary Market Mall and Regina Main were relocated in leased premises.

Construction was substantially completed on a new computer centre in London. Guelph Main and Windsor Ouellette were moved to temporary locations to accommodate construction of new buildings on the original branch sites and are scheduled for completion in early 1981.

Eleven financial services branches are committed at present for opening in 1981 – Port Coquitlam and the Canada Trust Tower, Bentall Centre, Vancouver in British Columbia; Edmonton Lynwood in Alberta; Hamilton Rosedale and King, Toronto 5400 Yonge, Burlington Heights, Toronto Shipp Centre, London Dundas and Clarke Road, Owen Sound, Burlington Plains Road and Ottawa Bank and Heron in Ontario.

REAL ESTATE SERVICES

Gross commissions totalled $23 million, an increase of 20% over 1979. Commissions were produced 59% in Ontario, 26% in British Columbia and 15% in the prairie provinces. British Columbia increased revenues by 56% over 1979, leading all other regions.

The 35 storey Canada Trust Tower, the tallest building in Vancouver, is 25% company owned. At year-end 1980 space was more than 75% leased with completion of construction ten months away. Tenants include Vancouver Main branch and the company's regional operations.

The Canada Trust Building, 18 storeys of prime office space in the heart of downtown Toronto's business community, is company owned. Tenants include Toronto Main branch and the company's regional operations.

Five independent brokerage firms were acquired in Kitchener-Waterloo. Overall, ten new offices were opened, two offices were relocated and five offices were closed. Real estate services are now offered at 66 locations of which 34 are separate from financial services branch premises. A new real estate office is committed to open in 1981 in Port Coquitlam, British Columbia.

Operational earnings of $365,000 pre-tax were down from 1979 due to expansion and acquisition costs. All real estate accounting activities were centralized in 1980 which will result in reduced future operating costs.

During the year thirteen sales personnel were promoted to branch managers and two branch managers were promoted to regional managers. The sales force at year-end was 708, up from 623 at the end of 1979.

TRUST AND CORPORATE SERVICES

Personal Trust Services – A highlight of the year was the successful introduction of a terminal-based data entry system to trust branches throughout Canada. Administration personnel now have immediate video screen access to computer stored account information. Benefits include the elimination of over 500,000 pieces of paper annually, faster response to client needs and improved staff productivity.

From this base additional system enhancements are planned over the next three years to further automate administration and improve service and productivity.

A major marketing research project commenced in 1980 will provide the foundation to improve business development efforts.

Pension Trust Services – Revenue in 1980 was up 22% over prior year to $7.2 million. More than 150 new appointments were obtained, with first year fees of $355,000. Pension trust assets administered have tripled in less than five years and now exceed $4.7 billion.

Ongoing reassessment of administrative and investment management services has been essential to meet the twin challenges of rapid growth and an increasingly competitive marketplace. Initiatives in 1980 included conversion of accounting systems for securities transactions, benefit payments and contributions to direct data entry.

In response to client interest in non-traditional forms of pension investments, a real estate investment vehicle is planned for introduction in 1981. This will enable segregated pension funds to participate in ownership of large, fully developed income-producing properties.

Corporate Trust Services – Revenue showed a highly satisfactory gain of 60% over 1979. Stock transfer activity continued to grow at a brisk rate throughout 1980, and was the principal source of the higher revenue.

New appointments were an all-time high, with most new business arising from capital requirements for natural resource development in Western Canada. Notwithstanding that corporate debt financing was restrained by high interest rates, we obtained sizeable appointments for new debt issues in both domestic and Euro-dollar markets.

A major challenge for the eighties will be to control costs while adapting systems and procedures to a book-based system which will permit security deliveries to be processed electronically. In participation with others in the industry, planning is

Canada Trust is developing for sale this 25 acre site in Saanichton, a growth community adjacent to Victoria, British Columbia. Three hundred residential units will include single family, townhouse and apartment homes. Services will be installed by March 1981.

Canada Trust and Costain Limited are developing this 446 acre site in southwest Calgary. Plans call for over 2,000 housing units plus commercial and industrial lots. Servicing of phases one and two will be complete in early 1981.

progressing for changes to be brought about when the book-based system becomes operational.

DATA RESOURCES

A new computer centre in London at a cost of $8 million represents a significant investment to ensure back-up power, processing reliability and security for rapidly expanding on-line data processing services. Recent announcements by manufacturers of improvements in computer performance ensure that this centre will meet our needs well into the eighties.

A second leased IBM 3033 computer has been installed and is at present undergoing extensive testing in conjunction with other equipment which supports the total on-line network.

On-line systems now include savings, trust and mortgage services which allow for more effective and efficient handling of increased business volumes.

Provision of external computer services to other organizations continues where such services are extensions of existing internal applications.

MARKETING SERVICES

Hallmarks of flexibility and innovation came to the fore again in 1980 as change in the marketplace intensified. Challenges of the competitive and economic environment were met aggressively with significant success. As well, marketing strategies were developed as a framework for direction over the next decade.

Fifteen new financial services branches produced record volumes of business. Recent enhancement of branch opening marketing programs generated strong results and awareness of a broadened range of services.

The Hamilton-Burlington area went "8 to 8" in the fall with impressive increases in customers and awareness.

New products included a six-month open mortgage and major repair insurance for homes bought and sold through Canada Trust real estate offices. To satisfy a perceived customer want a daily interest chequing account was launched and aggressively marketed. The "one and only" account – paying daily interest at savings rates and including no charge chequing when a balance of $1,000 is maintained – has been highly successful. Market penetration improved noticeably in Vancouver, Calgary and Toronto. MasterCard and a U.S. dollar account, both introduced late in 1979, responded well to marketing initiatives in 1980.

Major merchandising campaigns produced the best R.R.S.P. and savings results in Company history. Successful loans programs included a campaign put into the marketplace to accompany the Ontario government's sales tax rebate on 1979 cars carried into 1980 inventory. Floating-rate sales finance and investment loans showed excellent growth as a result of special marketing efforts.

Major marketplace research was completed in several areas, helping to chart future direction.

PLANNING

Central to 1981 plans is the maximization of earnings within sustainable growth parameters and interest rate spread stabilization. To this end comprehensive plans encompassing marketing, systems, manpower and premises have been developed for each service.

PERSONNEL SERVICES

Significant growth in number of part-time employees necessitated introduc-

Plattswood Centre, a three storey suburban office building in London, Ontario, was developed and is owned by Canada Trust. Tenants include the company's MasterCard operation; the first Canadian head office credit card facility outside a major metropolitan area.

Lincoln Plaza, well-located on one of the busiest suburban streets in Waterloo, Ontario, was acquired in 1978 and completely renovated in 1980. A Canada Trust financial services branch and real estate office are among the tenants.

tion of a computerized bi-weekly report on aggregate hours worked converted to number of full-time equivalent employees. This information, distributed to all branches and regions, supports personnel planning and cost control. The ten year record on page six uses full-time equivalent statistics to provide an accurate measure of total work force.

To gain insight into employee perceptions on compensation and working environment, an independent research firm interviewed randomly-selected employees in major centres across Canada. Study results indicated positive support for growth, variety of work assignments and career opportunities available. Due to concerns expressed, changes were made in corporate salary administration programs, additions to staff occurred in a number of branches to deal with workload associated with growth and employee benefit policies were further improved.

With expansion of computerized systems and terminal networks, performance-based training systems were developed to assist smooth implementation of direct data entry for pension and personal trust, mortgages and general ledger inquiry.

An expanded recruitment program at ten universities and community colleges, augmented by internal training programs, will enable demand to be met for highly qualified administrative and management staff, as well as required specialists, particularly in the data processing function.

ORGANIZATION

Continuing increase in business volumes resulted in the following senior management appointments in 1980:

Vice-Presidents
Raymond H. Brackstone – Treasurer
B. Eric Minns – Real Estate Sales
John F. Schucht – Property Investments
Gwyn E. Williams – Savings and Loans Services

Assistant Vice-Presidents
Donald P. Cumming – Industrial, Commercial Mortgages
Peter A. Davidson – Corporate Business Development
W. Robert DeCelles – Montreal Main
G. Tomlinson Gunn – Treasury Systems
Richard J. Holloway – Calgary Main
W. Garner Misener – Victoria Main
Garry Rubacha – Pension Investments
Robert L. Stone – Edmonton Main
Kenneth L. Sutherland – Corporate Business Development
Norman White – Planning

THE YEAR AHEAD

Entering 1981 adverse operating conditions confront the Company in most of the areas to which its results are sensitive. Interest rates are historically high with only moderate relief in immediate prospect; real growth in the economy, if any, will be small; unemployment remains high – disastrously so in some vehicular manufacturing related communities; inflation is double digit and shows few signs of abatement; international events continue to be unsettling and domestic federal-provincial confrontation threatens national unity.

While formidable, these challenges are not dissimilar to those of one year ago. Personnel at all levels have amply exhibited necessary qualities to overcome difficult and challenging circumstances in the past. Their commitment, abilities and resourcefulness will stand the Company in good stead in 1981.

For the short term, buoyancy in earnings is not in prospect but a worthwhile improvement over 1980 results is a realistic objective to which the total organization is committed.

London, Ontario, January 23, 1981

Poco Place, a 170,000 square foot retail and office complex in Port Coquitlam, British Columbia, is 50% owned by Canada Trust. The company also supplied mortgage financing. At year-end 1980 space was over 50% leased with construction to be complete in spring 1981.

Cambridge Place, a retail and office complex in downtown Cambridge, Ontario, is a joint development of Canada Trust and Dominion Life. The City of Cambridge will be one of the tenants when construction is complete in mid-1981.

CANADA TRUSTCO MORTGAGE COMPANY

CONSOLIDATED STATEMENT OF EARNINGS, year ended December 31

	1980	1979	% Increase (Decrease)
Investment income			
Short term notes	$ 72,023,000	$ 41,005,000	76
Bonds and debentures	63,908,000	29,630,000	116
Stocks	26,290,000	24,201,000	9
Mortgages	506,425,000	427,061,000	19
Corporate loans	45,506,000	20,675,000	120
Consumer and personal loans	42,370,000	31,798,000	33
Collateral loans	19,388,000	11,927,000	63
Net real estate investment properties	4,068,000	1,385,000	194
Equipment leases	2,347,000	2,236,000	5
	782,325,000	589,918,000	33
Interest on deposits			
Demand	192,504,000	131,486,000	46
Cashable term	95,658,000	51,573,000	85
Term	396,538,000	328,286,000	21
	684,700,000	511,345,000	34
Net investment income	97,625,000	78,573,000	24
Fees and commissions			
Personal trust	11,192,000	10,633,000	5
Pension and pooled trust funds	9,296,000	7,893,000	18
Corporate trust	4,687,000	2,936,000	60
Real estate sales	22,930,000	19,098,000	20
Service	11,127,000	8,805,000	26
	59,232,000	49,365,000	20
Other income	2,997,000	2,550,000	18
Earnings before operating expenses	159,854,000	130,488,000	23
Operating expenses			
Salaries	60,214,000	49,918,000	21
Pension and other benefits	3,470,000	2,837,000	22
Real estate commissions	16,058,000	13,247,000	21
Net occupancy	13,342,000	11,688,000	14
Computer, furniture and equipment	8,916,000	6,674,000	34
Communications	5,618,000	3,640,000	54
Stationery	2,916,000	2,273,000	28
Advertising	5,770,000	4,148,000	39
Other	14,569,000	12,606,000	16
	130,873,000	107,031,000	22
Earnings before income taxes	28,981,000	23,457,000	24
Income taxes	790,000	(965,000)	182
Net earnings	$ 28,191,000	$ 24,422,000	15
Attributed to			
Preference shares non-convertible	$ 3,902,000	$ 3,419,000	14
Preference shares convertible	2,184,000	2,252,000	(3)
Common shares	22,105,000	18,751,000	18
	$ 28,191,000	$ 24,422,000	15
Net earnings per common share – basic	$ 2.82	$ 2.64	7
Net earnings per common share – fully diluted	$ 2.72	$ 2.54	7
Net earnings ratios			
To averaged			
Assets	.40%	.42%	
Convertible preference and common shareholders' equity	11.95%	11.54%	

See notes to consolidated financial statements commencing on page 22.

CONSOLIDATED STATEMENT OF CONDITION, December 31

	1980	1979	% Increase (Decrease)
ASSETS			
Investments			
Cash	$ 79,184,000	$ 9,292,000	752
Short term notes	547,414,000	485,716,000	13
	626,598,000	495,008,000	27
Securities			
Bonds and debentures			
Canada	341,824,000	325,754,000	5
Provincial	219,838,000	9,509,000	2,212
Corporate	72,672,000	66,474,000	9
	634,334,000	401,737,000	58
Stocks			
Preference	315,724,000	285,500,000	11
Common	46,911,000	38,923,000	21
	362,635,000	324,423,000	12
	996,969,000	726,160,000	37
Loans			
Mortgages			
Conventional	2,638,109,000	2,351,599,000	12
Conventional insured	1,218,088,000	1,171,644,000	4
National Housing Act	926,629,000	930,487,000	
	4,782,826,000	4,453,730,000	7
Corporate	518,790,000	236,885,000	119
Consumer and personal	349,882,000	265,145,000	32
Collateral	180,357,000	116,238,000	55
	5,831,855,000	5,071,998,000	15
Real estate acquired in settlement of loans	13,431,000	14,357,000	(6)
Real estate investment properties	71,780,000	39,908,000	80
Receivables under equipment leases	30,589,000	31,981,000	(4)
Total investments	7,571,222,000	6,379,412,000	19
Income taxes recoverable	83,000		
Land, premises and equipment	33,368,000	22,263,000	50
	$7,604,673,000	$6,401,675,000	19

Approved on behalf of the Board

MERVYN L. LAHN, Director

TOM LAWSON, Director

See notes to consolidated financial statements commencing on page 22.

	1980	1979	% Increase (Decrease)
LIABILITIES			
Deposits			
Demand	$2,411,385,000	$1,675,710,000	44
Cashable term	856,854,000	689,540,000	24
Term	4,021,502,000	3,737,506,000	8
	7,289,741,000	6,102,756,000	19
Current income taxes		889,000	(100)
Mortgages	15,672,000	8,859,000	77
Dividends	3,887,000	3,891,000	
	19,559,000	13,639,000	43
Future income taxes	39,612,000	38,144,000	4
	7,348,912,000	6,154,539,000	19
SHAREHOLDERS' EQUITY			
Capital stock			
Preference shares	74,242,000	76,881,000	(3)
Common shares	15,736,000	15,659,000	
	89,978,000	92,540,000	(3)
Contributed surplus	69,113,000	68,115,000	1
Retained earnings	96,670,000	86,481,000	12
	255,761,000	247,136,000	3
	$7,604,673,000	$6,401,675,000	19

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
year ended December 31

	1980	1979
Balance at beginning of year	$ 68,115,000	$ 51,681,000
Premium on issue of common shares	921,000	16,414,000
Discount on preference shares series B purchased for cancellation	77,000	20,000
Balance at end of year	$ 69,113,000	$ 68,115,000

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
year ended December 31

	1980	1979
Balance at beginning of year	$ 86,481,000	$ 78,718,000
Net earnings	28,191,000	24,422,000
	114,672,000	103,140,000
Dividends on		
Preference shares series A	510,000	546,000
Preference shares series B	2,105,000	2,167,000
Preference shares series C	79,000	85,000
Preference shares series D	2,121,000	1,796,000
Preference shares series E	1,272,000	1,077,000
Common shares	11,915,000	10,902,000
	18,002,000	16,573,000
Expenses, net of income taxes, incurred on issue of shares		86,000
	18,002,000	16,659,000
Balance at end of year	$ 96,670,000	$ 86,481,000

See notes to consolidated financial statements commencing on page 22.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL CONDITION
year ended December 31

	1980	1979
CASH DERIVED FROM		
Increase in deposits		
Demand	$ 735,675,000	$ 250,427,000
Cashable term	167,314,000	382,711,000
Term	283,996,000	585,691,000
	1,186,985,000	1,218,829,000
Operations		
Net earnings	28,191,000	24,422,000
Future income taxes	1,468,000	2,868,000
Depreciation	3,071,000	3,304,000
	32,730,000	30,594,000
Other		
Issue of shares		17,970,000
Net gain on disposal of investments, net of income taxes	2,680,000	17,009,000
	1,222,395,000	1,284,402,000
CASH APPLIED TO		
Increase (decrease) in investments		
Short term notes	61,698,000	108,845,000
Bonds and debentures	232,756,000	133,615,000
Stocks	37,175,000	(20,465,000)
Mortgages	332,281,000	774,198,000
Corporate loans	281,905,000	195,376,000
Consumer and personal loans	85,147,000	55,496,000
Collateral loans	64,119,000	42,283,000
Real estate investment properties	25,008,000	13,683,000
Receivables under equipment leases	(1,392,000)	474,000
	1,118,697,000	1,303,505,000
Dividends paid on		
Preference shares	6,100,000	5,538,000
Common shares	11,906,000	10,624,000
	18,006,000	16,162,000
Other		
Preference shares purchased for cancellation	1,564,000	343,000
Additions to land, premises and equipment	13,801,000	5,118,000
Expenses, net of income taxes, incurred on issue of shares		86,000
Other	435,000	5,510,000
	15,800,000	11,057,000
	1,152,503,000	1,330,724,000
INCREASE (DECREASE) IN CASH	$ 69,892,000	$ (46,322,000)

See notes to consolidated financial statements commencing on page 22.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 1980

1. Summary of significant accounting policies

(a) Consolidation

The financial statements include the accounts of Canada Trustco Mortgage Company and its subsidiary companies, The Canada Trust Company and Truscan Realty Limited.

(b) Investments

Investments, reduced by an allowance for investment losses where applicable and investment income are stated as follows:

(i) Securities
Bonds and debentures are stated at amortized cost plus accrued interest and stocks are stated at cost plus accrued dividends.

(ii) Loans
Mortgages are stated at cost, which includes amounts advanced, interest capitalized and accrued, taxes and other charges, less repayments and unamortized prepayments of mortgage interest. Interest income is accrued on a daily basis, except for any prepayments of mortgage interest which are amortized over the remaining term of the loan using the sum-of-digits method.

Corporate, consumer, personal and collateral loans are stated at cost which includes amounts advanced and accrued interest on a daily basis, less repayments.

(iii) Real estate acquired in settlement of loans is stated at a value which does not exceed market.

(iv) Real estate investment properties held for development and resale are stated at the lower of cost or estimated net realizable value. Properties held as investments are stated at cost less accumulated depreciation. Depreciation is provided on a 5% 40 year sinking fund method.

(v) Receivables under equipment leases are stated at gross rentals receivable net of unearned income. Any gains resulting from the residual values of leased equipment are reflected in earnings only when realized.

An allowance for investment losses is deducted from the applicable investment on the consolidated statement of condition. This allowance recognizes the historical trend of investment losses and existing economic conditions. Provision for investment losses, if any, is included in other expense and is based on both the historical five year (including the current year) moving average ratio of losses to average investments and other factors which in management's judgement deserve recognition. Net gains or losses realized on disposal of investments (with the exception of land held for development and resale) are recorded in this allowance and are reflected in the statement of earnings only to the extent of their effect on the annual provision, if any, charged to other expense.

(c) Land, premises and equipment

Land is stated at cost and premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of each asset at annual rates of 10% to 33% on leasehold improvements and equipment. Depreciation on buildings is provided on a 5% 40 year sinking fund method.

(d) Fees and commissions

Fees and commissions are recorded as income when received.

(e) Pension plan

A contributory pension plan is available to substantially all employees after six months of continuous service. The cost of funding current service pension benefits is expensed as incurred. Unfunded liabilities, or experience deficiencies which may occur are funded in accordance with actuarial recommendations and the required additional contributions are expensed as incurred.

(f) Net earnings per common share

Net earnings per common share-basic are calculated using the weighted average number of common shares outstanding, and the net earnings attributable to common shares.

Net earnings per common share-fully diluted are calculated on the assumption that all preference shares series B and C outstanding at the end of the year were converted to common shares at the beginning of the year and the amount of net earnings attributable to these preference shares is included in the amount available to common shares. Warrants, if exercised, would have no material effect on earnings per common share - fully diluted.

(g) Comparative figures

The comparative figures for 1979 have been reclassified to conform with the financial statement presentation adopted for 1980.

2. Capital stock

(a) Authorized, issued and fully paid

	Number of Shares		Amount (in thousands of dollars)	
	1980	1979	1980	1979
Cumulative redeemable preference shares, of $20 par value each, issuable in series Authorized	14,730,658	4,862,591	$294,613	$97,252
Issued and fully paid				
Series A – 8¾%	250,000	312,059	$ 5,000	$ 6,241
Series B – 7¼% convertible	1,418,011	1,478,955	28,360	29,579
Series C – 7¾% convertible	44,084	53,014	882	1,061
Series D – floating % retractable	1,250,000	1,250,000	25,000	25,000
Series E – floating % retractable	750,000	750,000	15,000	15,000
	3,712,095	3,844,028	$ 74,242	$76,881
Common shares of $2 par value each Authorized	20,000,000	20,000,000	$ 40,000	$40,000
Issued and fully paid	7,867,770	7,829,611	$ 15,736	$15,659

(b) Terms of issue

(i) Preference shares
Each series of preference shares outstanding is subject to separate terms and conditions respecting redemption,

retraction and purchase for cancellation, all of which require the prior consent of the Superintendant of Insurance (Canada). These terms and conditions, including conversion privileges, if any, together with dividend rates are summarized as follows:

Dividends

The dividend rates on series A, B and C are 8¾%, 7¼% and 7¾% respectively. The dividend rate on series D and E is adjusted quarterly and, expressed on a per annum basis, is equal to the sum of (i) one half of the average bank prime rate and (ii) 1.25%.

Redemption

Series A

September 15, 1979 at $21.40 reducing tri-annually by $.20 to $20.40 at September 15, 1994 and thereafter.

Series B

June 1, 1980 at $20.725 reducing annually by $.145 to $20.00 at June 1, 1985 and thereafter.

Series C

December 16, 1980 at $20.90 reducing annually by $.15 to $20.00 at December 16, 1986 and thereafter. Redemptions prior to December 16, 1981 are allowable only if the average market value of the common shares exceeds $30.69 for 20 consecutive trading days.

Series D

May 1, 1980 at $20.60 reducing annually by $.15 to $20.00 at May 1, 1984 and thereafter.

Series E

May 1, 1981 and thereafter at $20.00.

Conversion

Series B

Convertible into common shares at the option of the holder at a conversion price of $26.51 per common share at any time on or prior to May 31, 1985 or at any time prior to ten days before the date specified for redemption of such shares, whichever is earlier.

Series C

Convertible into common shares at the option of the holder at a conversion price of $24.55 per common share at any time on or prior to December 15, 1981 and thereafter to December 15, 1986 at $27.00 per common share or any time prior to ten days before the date specified for redemption of such shares, whichever is earlier.

Retraction

Series D

Retractable at the option of the holder at $20.00 on April 1, 1987.

Series E

Retractable at the option of the holder at $20.00 on April 1, 1988.

Purchase for cancellation

Series A

The company, annually to 1984, is obligated to offer to purchase for cancellation at a price equal to par value plus accrued dividends, the lesser of 50,000 shares or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior year. Thereafter this obligation is reduced to the lesser of 5% of the number of shares outstanding at the beginning of the year or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior year.

Series B

A purchase fund shall be established in 1981 and subsequent years. The annual contribution thereto will not exceed $874,000 in 1981 and $1,748,000 in subsequent years, which funds shall be applied by the company to purchase shares for cancellation in the open market if available, at a price not exceeding the par value thereof plus the costs of purchase.

Series C

A purchase fund shall be established in 1982 and subsequent years. The annual contribution thereto will not exceed $26,000 in 1982 and $52,000 in subsequent years, which funds shall be applied by the company to purchase shares for cancellation in the open market if available, at a price not exceeding the par value thereof plus the costs of purchase.

Series D

The company, annually during the years 1981 to 1987, may offer to purchase shares for cancellation in the market or by invitation for tenders at a price not exceeding $20.60 per share prior to May 1, 1981 or at the redemption price thereafter, together with accrued dividends.

Series E

The company may at any time or times, purchase for cancellation in the market or by invitation for tenders at the lowest price at which shares are available in the opinion of the directors or the duly authorized officer or officers of the company.

(ii) Common shares

The maximum number of common shares that may be issued is 20,000,000 shares, of which 1,145,782 shares have been reserved for conversion rights attached to preference shares series B and C and for warrants outstanding to purchase common shares. The company is a constrained share company and as such the total number of shares that can be registered and voted by any one shareholder is limited to 10½% on a fully diluted basis with provision for eventual reduction to 10%.

(c) Warrants

At December 31, 1980 warrants were outstanding to purchase 40,075 common shares exercisable at $21.26 per share until December 15, 1983 (1979 – 40,075 warrants).

(d) Changes in capitalization

During the year supplementary letters patent were obtained increasing the authorized capital by 10,000,000 cumulative redeemable preference shares with a par value of $20.00 each ranking on a parity with the existing class of preference shares.

During the year 62,059 preference shares series A were purchased for cancellation at $20.00 per share plus accrued dividends (1979 – nil).

During the year 20,000 preference shares series B were purchased for cancellation at an average price of $16.00 per share (1979 – 18,170 shares).

During the year 40,944 preference shares series B were converted into 30,887 common shares at $26.51 per share (1979 – 2,875 preference to 2,136 common).

During the year 8,930 preference shares series C were converted into 7,272 common shares at $24.55 per share (1979 – 3,363 preference to 2,690 common).

During the year no common share purchase warrants were exercised.

3. Securities

	1980 Stated value	1980 Market value	1979 Stated value	1979 Market value
	(in thousands of dollars)			
Bonds and debentures				
Canada	$341,824	$ 335,278	$325,754	$313,272
Provincial	219,838	218,054	9,509	7,463
Corporate	72,672	67,707	66,474	61,440
	634,334	621,039	401,737	382,175
Stocks				
Preference	315,724	308,036	285,500	286,292
Common	46,911	71,718	38,923	58,902
	362,635	379,754	324,423	345,194
	$996,969	$1,000,793	$726,160	$727,369

4. Allowance for investment losses

	1980	1979
	(in thousands of dollars)	
Balance at beginning of year		
General	$ 6,446	$ 7,873
Tax-paid	19,659	1,223
	26,105	9,096
Changes during the year		
Investment gains (losses)		
Securities, net of income taxes of $1,405 (1979 – $5,292)	4,389	18,436
Loans, net of recoveries of $96 (1979 – $40)	(1,266)	(668)
Real estate acquired in settlement of loans	(443)	(759)
	2,680	17,009
Balance at end of year		
General	4,737	6,446
Tax-paid	24,048	19,659
	$28,785	$26,105

5. Real estate investment properties

(a) Cost and net depreciated values

	1980 Cost	1980 Accumulated depreciation	1980 Net	1979 Net
	(in thousands of dollars)			
Land held for development and resale	$27,192	$	$27,192	$ 6,313
Properties held as investments				
Land	9,713		9,713	8,410
Buildings	44,000	9,125	34,875	25,185
	53,713	9,125	44,588	33,595
	$80,905	$9,125	$71,780	$39,908

(b) Net real estate investment properties income

	1980	1979
	(in thousands of dollars)	
Land sales	$5,233	$1,162
Rental income	4,393	3,506
	9,626	4,668
Cost of land sales	2,732	849
Maintenance	2,582	2,016
Depreciation	244	418
	5,558	3,283
	$4,068	$1,385

6. Land, premises and equipment

(a) Cost and net depreciated values

	1980 Cost	1980 Accumulated depreciation	1980 Net	1979 Net
	(in thousands of dollars)			
Land	$ 3,835	$	$ 3,835	$ 3,406
Buildings	18,868	4,917	13,951	6,334
Leasehold improvements	12,251	4,429	7,822	5,831
Furniture and equipment	19,340	11,870	7,470	6,385
Automobiles	523	233	290	307
	$54,817	$21,449	$33,368	$22,263

(b) Net occupancy expense

	1980	1979
	(in thousands of dollars)	
Rent	$ 5,218	$ 4,286
Maintenance	6,990	6,283
Depreciation	1,379	1,614
	13,587	12,183
Rental income	245	495
	$13,342	$11,688

(c) Computer, furniture and equipment expense

	1980	1979
	(in thousands of dollars)	
Rent	$ 6,777	$ 4,846
Maintenance	691	556
Depreciation	1,448	1,272
	$ 8,916	$ 6,674

(d) The aggregate minimum rentals payable under premises and equipment leases in effect at December 31, 1980 are as follows for each of the periods shown

	Premises	Equipment	Total
	(in thousands of dollars)		
1981-1985	$26,713	$12,246	$38,959
1986-1990	17,939	14	17,953
1991-1995	6,759		6,759
thereafter	4,320		4,320

7. Income taxes

The effective rate of income tax of 3% in 1980 and a negative rate of 4% in 1979 is a result of receiving tax-exempt income debenture and dividend income. This fact, along with the timing differences referred to below, create tax losses. Under current tax law, these amounts can be used to offset taxable income, if any, in the previous and five subsequent tax years. As long as it is virtually certain that the benefit will be used, accounting recognition is given through the future income taxes account.

Certain items of income and expense are recognized in time periods different for financial reporting than for income tax purposes. Full provision for income taxes is made in the consolidated statement of earnings using the tax allocation method and income taxes related to the following items are recorded in future income taxes in the consolidated statement of condition.

	1980	1979
	(in thousands of dollars)	
Taxes applicable to:		
Special reserve allowed under Section 33 of the Income Tax Act (Canada)	$30,240	$27,433
Allowance for investment losses	(2,312)	(3,155)
Excess of capital cost allowances over amounts provided in the accounts	14,420	12,988
Tax loss carry forward	(9,484)	(4,828)
Other items – net	6,748	5,706
	$39,612	$38,144

8. Other income

	1980	1979
	(in thousands of dollars)	
Foreign exchange	$ 751	$ 643
Miscellaneous	2,246	1,907
	$ 2,997	$ 2,550

9. Other expense

	1980	1979
	(in thousands of dollars)	
Travelling	$ 1,032	$ 1,074
Insurance, commissions and fees	5,650	5,587
Provincial taxes on capital	1,902	1,228
Employee training and development	2,207	1,613
Miscellaneous	3,778	3,104
	$14,569	$12,606

10. Segmented information

Operations consist of the following segments:

(a) Intermediary: investment of depositors' and shareholders' funds in income producing assets together with other revenue from a variety of financial services.

(b) Fiduciary: administration of personal and pension trust assets and acting as stock transfer agent and bond trustee for corporate clients.

(c) Real estate sales: listing and selling of residential, commercial and industrial real estate.

Contribution to earnings represents segment income less direct and allocated expenses based on cost allocation methods believed to be reasonable. However, other cost allocation methods are possible. The company's policy is to price inter-segment transactions below market value. These are insignificant in amount and are applied to reduce segment expense. Owned building operations have been included in the intermediary segment and rents have been charged to remaining segments for their share of operating costs. Leasehold and equipment costs have been allocated to segments based on their proportionate use.

	1980		1979	
	Income	Contribution to earnings - pre-tax	Income	Contribution to earnings - pre-tax
	(in thousands of dollars)			
Intermediary	$796,449	$36,182	$601,273	$30,664
Fiduciary	25,175	7,792	21,462	5,064
Real estate sales	22,930	365	19,098	499
	$844,554	44,339	$641,833	36,227
Unallocated expense		(15,358)		(12,770)
Earnings before income tax		$28,981		$23,457

11. Mortgage commitments

Outstanding commitments for future advances on mortgages are $272,027,000 at December 31, 1980, and were $327,737,000 at December 31, 1979.

12. Pension plan

The actuarial valuation as of December 31, 1979 indicates no unfunded liability exists. The plan had assets at market value of $54,436,000 as of December 31, 1980 and $44,580,000 as of December 31, 1979.

Total contributions by the Company in 1980 were $1,025,000 (1979 – $1,233,000). Contributions are included in pension and other employee benefits.

13. Remuneration of directors and senior officers

Senior officers serving as directors do not receive directors' fees. The aggregate direct remuneration, including the cost of all pension benefits, paid or payable to directors and senior officers of the company was as follows:

	1980		1979	
	Number	Amount	Number	Amount
Directors	44	$ 215,000	44	$ 201,000
Senior officers	26	2,058,000	26	1,828,000
	70	$2,273,000	70	$2,029,000

14. Related party transactions

Transactions with related parties are on terms that are equivalent to those with unrelated parties. The total of these transactions is not material.

15. Change in accounting policy

All buildings, including both premises and real estate investments, are owned by a subsidiary whose principal business is the developing and leasing of property. The method of charging depreciation has been changed from the straight-line basis used in 1979 to the sinking fund method in 1980 which is more appropriate for such companies. The effect of this change on reported net earnings, and the carrying value of the assets, is not material.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
CANADA TRUSTCO MORTGAGE COMPANY

We have examined the consolidated statement of condition of Canada Trustco Mortgage Company as at December 31, 1980 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial condition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial condition of the company as at December 31, 1980 and the results of its operations and changes in its financial condition for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 23, 1981
London, Canada

Thorne Riddell
Chartered Accountants

QUARTERLY ANALYSIS OF NET EARNINGS
(in thousands of dollars except interest rate spread and earnings per share)

Quarter	Interest rate spread-taxable equivalent basis	Net investment income	Fees and commissions	Non interest expenses	Net earnings	Net earnings per common share–fully diluted
1st	1.83%	$12,854	$ 8,488	$ 15,030	$ 4,112	$ .60
2nd	1.95	13,330	7,527	15,379	4,103	.59
3rd	1.78	14,120	8,598	16,494	4,197	.57
4th	2.05	16,075	8,246	17,107	5,291	.71
1976	1.91	56,379	32,859	64,010	17,703	2.47
1st	2.01	19,007	9,985	19,012	6,299	.76
2nd	2.22	21,404	9,495	20,472	7,078	.82
3rd	2.44	24,226	10,226	22,088	8,224	.95
4th	2.39	24,642	9,699	21,940	8,385	.97
1977	2.27	89,279	39,405	83,512	29,986	3.50
1st	2.24	23,932	10,678	22,219	8,165	.95
2nd	2.24	23,942	10,558	23,234	8,228	.94
3rd	2.09	23,808	10,938	24,776	7,653	.85
4th	1.93	21,960	11,788	24,713	7,838	.87
1978	2.12	93,642	43,962	94,942	31,884	3.61
1st	1.55	18,235	11,422	25,001	5,404	.56
2nd	1.76	20,935	11,207	26,767	6,327	.68
3rd	1.63	21,306	13,692	28,798	6,485	.69
4th	1.25	18,097	13,044	26,465	6,206	.61
1979	1.54	78,573	49,365	107,031	24,422	2.54
1st	1.11	17,273	14,256	29,511	4,274	.35
2nd	1.30	20,492	13,440	31,538	5,315	.48
3rd	1.66	27,739	16,010	33,975	8,607	.86
4th	1.81	32,121	15,526	35,849	9,995	1.03
1980	1.48	97,625	59,232	130,873	28,191	2.72

NET INTEREST DIFFERENTIAL
(in thousands of dollars)

Interest rate spread on a taxable equivalent basis decreased from an average of 1.54% in 1979 to 1.48% in 1980, as the average cost of deposits rose more rapidly than the average yield on investments. Average rates and change in net interest differential are shown below:

	1980	1979	Increase (Decrease)
Investment income	$782,325	$589,918	$192,407
Taxable equivalent adjustment	26,890	25,314	1,576
	809,215	615,232	193,983
Deposit interest expense	684,700	511,345	173,355
Differential	$124,515	$103,887	$ 20,628

Differential allocated to:	Volume	Rate	Net
Investments	$135,894	$ 58,089	$193,983
Deposits	113,425	59,930	173,355
Differential	$ 22,469	$ (1,841)	$ 20,628

Interest rate differential (taxable equivalent basis)	1980	1979	Increase (Decrease)
Average investment yield	11.81%	10.97%	.84 %
Average deposit cost	10.33	9.43	.90
Differential	1.48%	1.54%	(.06)%

INTEREST RATE SENSITIVITY
(in thousands of dollars)

Net interest differential is the most significant factor in determining earnings. Rate sensitivity, or the mix of the floating and fixed rate portions of investments and deposits, determines how quickly this differential responds to changing rates.

Net interest will change immediately on the net difference between those balances which float with the level of prime interest rates and then gradually on fixed term balances which mature within one year. Rate changes will not affect the current year's net interest on investments and deposits maturing beyond one year.

In periods when rates are rising, an excess of floating rate liabilities over floating rate assets, has an immediate deleterious effect on earnings. Conversely, when rates fall an immediate and positive effect on earnings results. Ideally, an intermediary should have surplus floating rate assets in periods of rising rates and surplus floating rate liabilities in periods of falling rates but this is almost impossible and to attempt to so manage can be risky. Consequently, the company is striving to balance the equation to effect a reasonably constant earned spread, thus ameliorating the vagaries of interest rate cycles.

The following table shows year-end distribution of interest sensitive and non-sensitive balances adjusted to exclude accrued income. Non-convertible preference shares are shown as deposits because dividends are deducted in determining fully diluted net earnings attributable to common shares.

	1980				1979			
	Floating rates	Fixed rate Under 1 yr.	Fixed rate Over 1 yr.	Total	Floating rates	Fixed rate Under 1 yr.	Fixed rate Over 1 yr.	Total
Investments								
Cash and short term investments	$ 79,184	$ 538,816	$	$ 618,000	$ 9,292	$ 477,067	$	$ 486,359
Securities	376,500	194,282	406,629	977,411	166,000	169,778	379,564	715,342
Loans	852,933	1,546,801	3,377,048	5,776,782	411,190	1,244,909	3,373,704	5,029,803
Other		10,810	90,919	101,729		3,000	68,455	71,455
	1,308,617	2,290,709	3,874,596	7,473,922	586,482	1,894,754	3,821,723	6,302,959
Deposits								
Demand	2,138,161	230,314		2,368,475	1,465,388	183,972		1,649,360
Cashable term and term		2,257,258	2,490,187	4,747,445		1,766,852	2,552,517	4,319,369
	2,138,161	2,487,572	2,490,187	7,115,920	1,465,388	1,950,824	2,552,517	5,968,729
Non-convertible preference shares	40,000		5,000	45,000	40,000		6,241	46,241
	2,178,161	2,487,572	2,495,187	7,160,920	1,505,388	1,950,824	2,558,758	6,014,970
Surplus (deficiency) rate sensitive investments	$ (869,544)	$ (196,863)			$ (918,906)	$ (56,070)		

MATURITIES (in thousands of dollars)

Investments

Maturity dates	Cash and short term	Securities (1)	Mortgages (2)	Other loans and investments	December 31, 1980 Total	%	December 31, 1979 Total	%
On demand and within 1 year	$ 618,000	$203,282	$1,519,243	$ 386,115	$2,726,640	36.0	$2,048,401	32.1
1 - 2 years		24,888	1,179,674	92,606	1,297,168	17.1	1,022,184	16.0
2 - 3 years		92,516	812,488	73,667	978,671	12.9	1,042,694	16.3
3 - 4 years		92,263	676,633	55,328	824,224	10.9	717,570	11.3
4 - 5 years		205,113	349,907	86,762	641,782	8.5	675,401	10.6
after 5 years		238,035	207,130	452,389	897,554	11.9	720,796	11.3
stocks (non-retractable)		121,314			121,314	1.6	90,270	1.4
accrued interest	8,598	19,558	37,751	17,962	83,869	1.1	62,096	1.0
	$ 626,598	$996,969	$4,782,826	$1,164,829	$7,571,222	100.0	$6,379,412	100.0

Deposits

Maturity dates	Demand	Cashable term	Term (2)	December 31, 1980 Total	%	December 31, 1979 Total	%
Payable after notice and within 1 year	$2,368,475	$843,107	$1,414,151	$4,625,733	63.5	$3,416,212	56.0
1 - 2 years			738,086	738,086	10.1	780,429	12.8
2 - 3 years			682,599	682,599	9.4	607,374	10.0
3 - 4 years			483,756	483,756	6.6	572,433	9.4
4 - 5 years			414,082	414,082	5.7	434,061	7.1
after 5 years			171,664	171,664	2.3	158,220	2.6
accrued interest	42,910	13,747	117,164	173,821	2.4	134,027	2.1
	$2,411,385	$856,854	$4,021,502	$7,289,741	100.0	$6,102,756	100.0

(1) Securities include various types of bonds, debentures and preference and common stocks, all reflected at stated cost. Preference stocks which have a specific redemption feature at the option of the holder are reflected in the year when the option may first be exercised.

(2) Historically, approximately 60% of term deposits are renewed at maturity. Of mortgages not fully paid on maturity, approximately 80% are expected to be renewed usually on the same amortization schedule adjusted for any variation in interest rates.

(3) The maturities have been arranged to reflect anticipated principal repayments on mortgages, other loans, equipment leases and income averaging contracts in the years they are due.

LIQUIDITY MANAGEMENT

Liquidity management is the continuing ability to meet deposit withdrawals, deposit maturities and fund loans and other contractual commitments. Liquidity represents the total value of assets which can be converted quickly into cash to meet requirements. Two liquidity requirements have been defined. The first is by statute, the second and more stringent is financial standards as defined by the Department of Insurance (Canada). Liquidity management practices followed are more conservative than the requirements. We monitor both short and long term requirements daily and adapt asset and liability management strategies in concert therewith.

Consolidated Liquidity, December 31, 1980
(in thousands of dollars)

Liquidity reserve	Approved for statutory liquidity at book value	Approved for financial standards test at market value
Cash	$ 79,184	$ 79,184
Canada and provincial securities	561,662	553,332
Eligible short term notes of original term under 1 year	316,498	547,414
	957,344	1,179,930
Less:		
Statutory liquidity requirement, 20% of cashable and demand deposits and term deposits maturing within 100 days	708,451	
Financial standards test liquidity requirement		807,177
Surplus liquidity	$248,893	$ 372,753

FIVE YEAR FINANCIAL ANALYSIS, year ended December 31

	1980	1979	1978	1977	1976
EARNINGS (as % of income)					
Income					
Investment	92.6%	91.9%	91.2%	90.8%	89.6%
Fees and commissions	7.0	7.7	8.6	9.0	10.1
Other	.4	.4	.2	.2	.3
	100.0	100.0	100.0	100.0	100.0
Expense					
Interest on deposits	81.1	79.7	72.9	70.3	72.4
Salaries, employee benefits and commissions	9.4	10.3	11.2	11.7	12.5
Other	6.1	6.4	7.4	7.4	7.1
	96.6	96.4	91.5	89.4	92.0
Earnings before income taxes	3.4	3.6	8.5	10.6	8.0
Income taxes	.1	(.2)	2.3	3.7	2.6
Net earnings	3.3%	3.8%	6.2%	6.9%	5.4%
NET EARNINGS RATIOS					
To averaged					
Assets	.40%	.42%	.67%	.74%	.60%
Convertible preference and common shareholders' equity	12.0%	11.5%	17.6%	19.1%	14.2%
Full-time equivalent employee	$6,584	$6,592	$9,880	$10,265	$6,770
ASSETS, LIABILITIES AND EQUITY (as % of total assets)					
Assets					
Cash and short term notes	8.3%	7.7%	8.4%	10.7%	9.8%
Securities	13.1	11.3	11.9	10.5	8.3
Loans	76.7	79.2	78.1	77.1	80.3
Other investments	1.5	1.4	1.2	.9	.7
Land, premises and equipment	.4	.4	.4	.8	.9
	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities					
Deposits payable after notice	43.0%	36.9%	33.6%	34.2%	33.6%
Term deposits	52.9	58.4	61.2	60.4	61.6
Total deposits	95.9	95.3	94.8	94.6	95.2
Other liabilities	.2	.2	.2	.4	.1
Future income taxes	.5	.6	.7	.7	.7
	96.6	96.1	95.7	95.7	96.0
Shareholders' equity	3.4	3.9	4.3	4.3	4.0
	100.0%	100.0%	100.0%	100.0%	100.0%
RATIOS					
Loans					
To total deposits	80.0%	83.1%	82.3%	81.5%	84.4%
Shareholders' equity					
To loans	4.4%	4.9%	5.5%	5.6%	5.0%
Deposit multiple	22.94x	19.64x	18.64x	18.48x	19.90x
Preference share portion of shareholders' equity	29.0%	31.1%	34.9%	33.0%	25.5%
Dividends paid per common share as a percentage of attributable net earnings	53.9%	56.7%	34.5%	33.5%	45.4%

TABLE OF AVERAGE HOLDINGS (in millions of dollars)

Investments	1980	1979	1978	1977	1976
Cash, short term notes and securities	$1,477	$1,039	$ 991	$ 797	$ 532
Mortgages	4,515	4,004	3,370	2,936	2,327
Loans, real estate and receivables under equipment leases	857	567	297	198	144
Average investments	$6,849	$5,610	$4,658	$3,931	$3,003
Deposits					
Demand	$2,053	$1,578	$1,359	$1,145	$ 913
Cashable term	772	470	300	214	136
Term	3,803	3,376	2,827	2,434	1,847
Average deposits	$6,628	$5,424	$4,486	$3,793	$2,896

Computed principally on average weekly balances

FOURTH QUARTER CONSOLIDATED STATEMENT OF EARNINGS
three months ended December 31
(unaudited)

	1980	1979	% Increase (Decrease)
Investment income			
Short term notes	$ 15,399,000	$ 11,459,000	34
Securities	25,050,000	17,979,000	39
Loans and other	171,655,000	137,906,000	24
	212,104,000	167,344,000	27
Interest on deposits	179,983,000	149,247,000	21
Net investment income	32,121,000	18,097,000	77
Fees and commissions			
Personal trust	2,408,000	2,818,000	(15)
Pension and pooled trust funds	806,000	792,000	2
Corporate trust	1,757,000	929,000	89
Real estate sales	6,825,000	5,272,000	29
Service	3,730,000	3,233,000	15
	15,526,000	13,044,000	19
Other income	1,247,000	1,469,000	(15)
Earnings before operating expenses	48,894,000	32,610,000	50
Operating expenses			
Salaries, pension and other benefits	16,579,000	13,512,000	23
Real estate commissions	4,923,000	3,726,000	32
Net occupancy	2,818,000	2,797,000	1
Computer, furniture and equipment	2,602,000	1,589,000	64
Communications	1,453,000	973,000	49
Stationery	790,000	849,000	(7)
Advertising	1,615,000	880,000	84
Other	5,069,000	2,139,000	137
	35,849,000	26,465,000	35
Earnings before income tax	13,045,000	6,145,000	112
Income taxes	3,050,000	(61,000)	5,100
Net earnings	$ 9,995,000	$ 6,206,000	61
Attributed to			
Preference shares non-convertible	$ 871,000	$ 886,000	(2)
Preference shares convertible	536,000	557,000	(4)
Common shares	8,588,000	4,763,000	80
	$ 9,995,000	$ 6,206,000	61
Net earnings per common share - basic	$ 1.10	$ .64	72
Net earnings per common share - fully diluted	$ 1.03	$ .61	69
Dividends paid per common share	$ .33	$ .33	
Net earnings ratios - annualized			
To averaged			
Assets	.54%	.39%	
Convertible preference and common shareholders' equity	17.57%	11.68%	

All those listed are Directors of Canada Trust.

*Canada Trustco Directors

After each name, age and number of years service as a Director are shown. Average age is 62 years and average service is 10 years.

*A.E. BARRON (62-20)
Toronto
Chairman
Canadian Tire Corporation Limited

*WALTER A. BEAN (72-13)
Waterloo
Chairman, Economical Mutual Insurance Company

*WALTER J. BLACKBURN (66-25)
London
Chairman & Publisher, London Free Press Printing Company Limited

RUDOLPH P. BRATTY (48-4)
Toronto
Barrister and Solicitor

C.W. BRAZIER (70-12)
Vancouver
Barrister and Solicitor

HUGH CAMPBELL (72-9)
Ottawa
Corporate Director

*C.R. CLARKE (60-9)
London
Vice-President – General Counsel and Secretary, Canada Trustco

*JOHN B. CRONYN (60-9)
London
Corporate Director and Consultant

*FREDERICK W. DAKIN (55-6)
Hamilton
President and Chief Executive Officer
The G.W. Robinson Company Limited

G.H. DOBBIE (62-10)
Cambridge
Corporate Director

ERIC F. FINDLAY (54-4)
Toronto
Chairman and President
Silverwood Industries Limited

REFORD GARDHOUSE (64-3)
Milton
Corporate Director

J.D. HARRISON (71-12)
London
Barrister and Solicitor

W. HOWARD HEMPHILL (64-10)
Stratford
Chairman, Krug Furniture Inc.

ELMORE HOUSER (68-12)
Toronto
Barrister and Solicitor

*A.H. JEFFERY (71-12)
London
Deputy Chairman
London Life Insurance Company

*M.L. LAHN (47-3)
London
President and Chief Executive Officer
Canada Trustco

*TOM LAWSON (65-25)
London
Vice-President, Canada Trustco
Honorary Chairman
Lawson & Jones Limited

DUNCAN McINTOSH (70-10)
Cambridge
Retired Executive

*M.C.G. MEIGHEN (72-20)
Toronto
Vice-President, Canada Trustco
Chairman, Canadian General Investments Limited

F.T. METCALF (59-1)
Toronto
President and Chief Operating Officer
Maclean-Hunter Limited

*ARTHUR H. MINGAY (61-14)
Toronto
Chairman of the Board and the Executive Committee, Canada Trustco

KENNETH G. MURRAY (56-5)
Kitchener
President, J.M. Schneider Inc.

CARL O. NICKLE (66-11)
Calgary
President, Conventures Limited

*JOHN H. PANABAKER (52-2)
Waterloo
President and Chief Executive Officer
The Mutual Life Assurance Company of Canada

D.H. PARKINSON (55-1)
Vancouver
Senior Vice-President, Finance and Planning, MacMillan Bloedel Limited

*LOUIS RASMINSKY (72-7)
Ottawa
Corporate Director

G.E. SHARPE (72-15)
Winnipeg
President, Sharpe's Limited

*W.J. STENASON (50-9)
Montreal
President, Canadian Pacific Enterprises Limited

H.R. STEPHEN (67-1)
Victoria
Corporate Director

R.W. STEVENS (54-11)
Toronto
Barrister and Solicitor

J.D. STEVENSON (51-10)
Toronto
Barrister and Solicitor

J.J. STUART (68-15)
Windsor
Corporate Director

*J. ALLYN TAYLOR (73-31)
London
Honorary Chairman, Canada Trustco

NOAH TORNO (70-19)
Toronto
Chairman
Niagara Gas Transmission Limited

PETER N.T. WIDDRINGTON (50-6)
London
President and Chief Executive Officer
John Labatt Limited

HONORARY DIRECTORS

Honorary Directors neither attend meetings of the Board, nor receive remuneration.

W.J. BEATTY
HENRY BORDEN
J.V. CLYNE
T. EDMONDSON
W.W. FOOT
C.S. GLASSCO
H.H. LEATHER
K.R. MacGREGOR
O.E. MANNING
C.A. MARTIN
H.S. MATTHEWS
H.L. McCULLOCH
G.E. ROBERTSON
E.G. SCHAFER
J.W. SCOTT
W.H. SPRAGUE
J.G. THOMPSON
A.S. UPTON
A.E. WALFORD
CLARENCE WALLACE
G.E.G. WHITAKER
J.D. WILSON
R.B. WILSON

EXECUTIVE COMMITTEE

A.H. Mingay, Chairman
A.E. Barron
W.A. Bean
J.B. Cronyn
F.W. Dakin
A.H. Jeffery
M.L. Lahn
T. Lawson
J.H. Panabaker
W.J. Stenason

NOMINATING COMMITTEE

A.H. Jeffery, Chairman
A.E. Barron
W.J. Blackburn
J.B. Cronyn
F.W. Dakin
T. Lawson
M.C.G. Meighen
J.H. Panabaker
L. Rasminsky
W.J. Stenason

AUDIT COMMITTEE

T. Lawson, Chairman
J.B. Cronyn
A.H. Jeffery
W.J. Stenason
J.D. Stevenson
J.J. Stuart

COMPENSATION/HUMAN RESOURCES COMMITTEE

W.A. Bean, Chairman
A.E. Barron
F.W. Dakin
E.F. Findlay
J.H. Panabaker
P.N.T. Widdrington

One of our greatest assets is the strength of management. After each name, age and number of years service are shown. Average age is 45.2 years and average service is 17.1 years.

*Located at Executive Offices
Canada Trust Building
Yonge and Adelaide, Toronto

*Arthur H. Mingay (61-43)
Chairman of the Board and the Executive Committee

Mervyn L. Lahn (47-26)
President and Chief Executive Officer

REGIONAL

PACIFIC REGION

Regional Office
West Pender and Hornby, Vancouver

Archie H. Kerr (56-21)
Senior Vice-President

Kenneth J. McCubbin (42-10)
Assistant Vice-President

Kenneth W. Meston (45-25)
Assistant Vice-President
Manager, Vancouver Main

W. Garner Misener (40-20)
Assistant Vice-President
Manager, Victoria Main

Peter A. Davidson (41-4)
Assistant Vice-President
Corporate Business Development

PRAIRIE REGION

Regional Office
3rd Street S.W. and 5th, Calgary

Derek J. Warren (49-21)
Senior Vice-President

Stephen C. Merrill (34-9)
Assistant Vice-President

Richard J. Holloway (36-13)
Assistant Vice-President
Manager, Calgary Main

Robert L. Stone (59-22)
Assistant Vice-President
Manager, Edmonton Main

Kenneth L. Sutherland (48-29)
Assistant Vice-President
Corporate Business Development

SOUTHWESTERN ONTARIO REGION

Regional Office
Dundas and Clarence, London

A. James Scafe (48-25)
Vice-President

Robert P. Morneau (42-12)
Assistant Vice-President

Robert B. James (51-16)
Assistant Vice-President
Manager, London Main

O. Evan Whitehead (47-28)
Assistant Vice-President
Manager, Windsor Main

MIDWESTERN ONTARIO REGION

Regional Office
King and Water, Kitchener

J. Terence Osbourne (51-24)
Vice-President

W. Lindsay Somerville (38-11)
Assistant Vice-President

Wilfred W. Park (53-33)
Assistant Vice-President
Manager, Kitchener Main

CENTRAL ONTARIO REGION

Regional Office
Yonge and Adelaide, Toronto

Melvin M. Hawkrigg (50-9)
Senior Vice-President

Liam S. O'Brian (52-13)
Vice-President
Corporate Business Development

George W. Stoyles (44-13)
Vice-President
Manager, Toronto Main

HAMILTON/NIAGARA REGION

Regional Office
King and Hughson, Hamilton

Leo P. Sauve (49-16)
Vice-President

Warren C. Elliott (41-20)
Assistant Vice-President

Robert B. Hamilton (33-7)
Assistant Vice-President
Manager, Hamilton Main

NORTHERN ONTARIO/QUEBEC/ATLANTIC REGION

Regional Office
Laurier and Metcalfe, Ottawa

Leonard W. Stoll (46-27)
Vice-President

Stan A. Martin (34-13)
Assistant Vice-President

W. Robert DeCelles (53-16)
Assistant Vice-President
Manager, Montreal Main

James R. Wilken (44-19)
Assistant Vice-President
Manager, Ottawa Main

HEAD OFFICE

Canada Trust Tower
Dundas and Wellington, London

CLIENT SERVICES

Jack H. Speake (52-30)
Group Vice-President

Philip A. Heiland (50-9)
Vice-President
Trust and Corporate Services

*Donald A. MacDonald (53-35)
Assistant Vice-President
Corporate Trust Services

James T. McDougall (38-13)
Assistant Vice-President
Personal Trust Services

Douglas E. Wannamaker (44-24)
Assistant Vice-President
Pension Trust Services

B. Eric Minns (51-17)
Vice-President
Real Estate Sales

Charles C. Parsons (51-18)
Vice-President
Data Resources

J. Brent Kelman (38-3)
Assistant Vice-President
Development and Technical Services

Frank W. Pratt (39-14)
Vice-President
Marketing Services

John D. Richardson (42-8)
Vice-President
Comptroller and Tax Services

John F. Schucht (36-15)
Vice-President
Property Investments

Donald P. Cumming (46-1)
Assistant Vice-President
Industrial and Commercial Mortgages

Douglas R. Dolman (42-9)
Assistant Vice-President
Premises and Supply Services

Gwyn E. Williams (43-22)
Vice-President
Savings and Loans Services

John L. Doran (44-17)
Assistant Vice-President
Demand Savings Services

D. Eric MacMillan (46-27)
Assistant Vice-President
Term and RSP Savings Services

Sean J. McNamara (38-13)
Assistant Vice-President
Credit Card Services

Robert M. Overholt (41-10)
Assistant Vice-President
Loans Services

William C. Thornhill (33-9)
Assistant Vice-President
Residential Mortgage Services

Norman White (53-21)
Assistant Vice-President
Planning

FINANCE

*Peter C. Maurice (43-8)
Group Vice-President

*W. James Blowers (47-27)
Vice-President
Investments

*Garry Rubacha (33-12)
Assistant Vice-President
Pension Investments

*Raymond H. Brackstone (41-2)
Vice-President
Treasurer

*G. Tomlinson Gunn (38-3)
Assistant Vice-President
Treasury Systems

PERSONNEL SERVICES

James T. Lindores (48-12)
Vice-President

Duncan F. Tilly (38-8)
Assistant Vice-President
Personnel Resources

GENERAL COUNSEL AND SECRETARY

C. Robert Clarke (60-31)
Vice-President

CORPORATE AFFAIRS

E. Donald L. Miller (62-34)
Vice-President

AUDIT SERVICES

Robert E. Redgwell (47-22)
Vice-President

*Company Owned Premises
**Company Has Ownership Interest

PACIFIC REGION

BURNABY
5000 Kingsway Plaza

CLEARBROOK
**Meadow Fair Plaza

KELOWNA
Harvey and Spall

LANGLEY
Willowbrook Mall

NANAIMO
Terminal Park Plaza

NEW WESTMINSTER
6th Street and 7th

PRINCE GEORGE
*Victoria and 5th

RICHMOND
No. 3 Road and Cook
No. 3 Road and Williams
Francis and No. 1 Road
Lansdowne Park Mall

SURREY
152nd Street and 104th

VANCOUVER
*West Pender and Hornby
Cambie and 41st
Denman and Comox
Main and Pender
Park Royal Shopping Centre
West 41st and Yew

VICTORIA
*View and Broad
Quadra and McKenzie

WHITE ROCK
**Semiahmoo Shopping Centre

PRAIRIE REGION

BRANDON
*636 Rosser

CALGARY
3rd Street S.W. and 5th
Centre Street N. and 12th
8th Ave. S.W. and 2nd
Market Mall Professional Centre
Memorial Drive and 52nd
Richmond Road and Sarcee
17th Ave. S.W. and 11th
Southcentre Mall

EDMONTON
*100th Street and 101A
Castle Downs Town Square
82nd Street and 130th
8246 – 175th Street
Millbourne Mall
St. Albert Shopping Centre

LETHBRIDGE
*3rd Ave. and 7th
Park Meadow Mall

MEDICINE HAT
*3rd Street and 5th

MOOSE JAW
*318 Main

RED DEER
*4928 Ross
Gaetz and Bennett

REGINA
11th Ave. and Cornwall
Albert and Gordon

SASKATOON
2nd Ave. N. and 22nd

WINNIPEG
*Portage and Fort
Unicity Mall

SOUTHWESTERN ONTARIO REGION

CHATHAM
*King and Market Square
Chatham Place

LEAMINGTON
Talbot and Erie

LONDON
**City Centre
Adelaide and Cheapside
Boler and Commissioners
Bradley and Ernest
*Covent Market Lane
*Dundas and Clarence
Dundas and English
Huron and Highbury
*Oxford W. near Hyde Park
*Oxford W. and Platt's Lane
*Richmond and University
Wonderland Road at Westmount Mall
*Wonderland N. and Sherwood
*Wortley and Elmwood

Quadra and McKenzie
Victoria, British Columbia

Semiahmoo Shopping Centre
White Rock, British Columbia

SARNIA
*Christina and London Road
Lochiel near Christina
London Road across from Lambton Mall

STRATHROY
Caradoc and Ontario

ST. THOMAS
*Talbot and Elgin
Elgin Mall

WINDSOR
University W. and Victoria
Devonshire Mall
*Ouellette and Wyandotte
Tecumseh and Annie

MIDWESTERN ONTARIO REGION

CAMBRIDGE
*44 Main
John Galt Centre
*King and Westminster
Highway 8 and 97

ELMIRA
*53 Arthur

FERGUS
*St. Andrews and Tower

GUELPH
*Wyndham and Cork
Edinburgh and Municipal
Willow West Mall
Woolwich and Speedvale

KITCHENER
*King and Water
*Belmont and Claremont
Forest Hill Plaza, Greenbrook Dr.
Fairview Mall
*King and Ontario
Market Square
Pioneer Park Plaza
Stanley Park Mall
Strasburg and Blockline

LISTOWEL
Listowel Plaza, Highway 23 N.

STRATFORD
*Downie and Albert

WATERLOO
*Erb and King
Conestoga Mall
*Weber and Lincoln
Westmount Place

HAMILTON/NIAGARA REGION

ANCASTER
Wilson near Fiddler's Green

BRANTFORD
King George and Charing Cross

BURLINGTON
Appleby Line and New
*Brant and Caroline
Burlington Mall

DELHI
Church and Queen

DUNDAS
*King and Sydenham

DUNNVILLE
*Lock and Queen

FORT ERIE
*70 Jarvis

GRIMSBY
Main and Christie

HAMILTON
*King and Hughson
Eastgate Square
Greater Hamilton Shopping Centre
Jackson Square
*Upper James and Mohawk
Upper Ottawa and Fennell
Upper Wentworth and Fennell

NIAGARA FALLS
*Queen and St. Clair
Niagara Square
Portage north of Thoroldstone

PORT COLBORNE
Clarence and Elm

SIMCOE
*Norfolk and Young
Simcoe Mall

3rd Street S.W. and 5th
Calgary, Alberta

Stanley Park Mall
Kitchener, Ontario

ST. CATHARINES
*James and King
Pen Centre
Scott and Vine

WELLAND
*Main and Cross

CENTRAL ONTARIO REGION

BARRIE
Dunlop and Memorial

BRAMPTON
*Main and Queen
Bramalea City Centre
Shoppers' World

HALTON HILLS
*Main and James

MILTON
*Main and Charles

MISSISSAUGA
*Highway 10 south of 5
Meadowvale Town Centre
South Common Mall
Square One

OAKVILLE
*Lakeshore and Trafalgar

ORANGEVILLE
Highland Mall

OSHAWA
*Simcoe and Bond

RICHMOND HILL
Hillcrest Mall

TORONTO CENTRAL
*Yonge and Adelaide
Bloor and Bathurst
*Eglinton W. and Castle Knock
*St. Clair and Yonge
Yonge and Erskine

TORONTO EAST
Shoppers' World
Lawrence and Burnview
Lawrence and Golf Club Rd.
Lawrence and Pharmacy

TORONTO NORTH
Fairview Mall
Finch and Birchmount
Finch between Bayview and Leslie
Sheppard east of Warden
St. Andrews Plaza, 29 The Links Rd.

TORONTO WEST
Bloor near Royal York
Eglinton between Islington and Kipling
Markland Wood Plaza
Royal York north of Eglinton

NORTHERN ONTARIO/QUEBEC/ ATLANTIC REGION

CORNWALL
Cornwall Square

HALIFAX
Quinpool and Monastery

KAPUSKASING
Model City Mall

KINGSTON
*Princess and Wellington
Bath and Gardiners

KIRKLAND LAKE
*51 Government Rd. W.

MONTREAL
800 Dorchester Blvd. W.

NEW LISKEARD
Timiskaming Square

NORTH BAY
Fraser and McIntyre
North Bay Mall

OTTAWA
Laurier and Metcalfe
Carling and Merivale
Richmond and Carling

SUDBURY
Cedar near Lisgar

TIMMINS
*Third and Cedar

King and Sydenham
Dundas, Ontario

Sheppard east of Warden
Toronto, Ontario

*Company Owned Premises
**Company Has Ownership Interest

Harry J. Boyd
Regional Real Estate Manager
Pacific Region

PACIFIC REGION

NANAIMO
94 Commercial

PRINCE GEORGE
*Victoria and 5th

RICHMOND
No. 3 Road and Cook

SURREY
152nd Street and 104th

VANCOUVER
Lonsdale and 18th
Park Royal Shopping Centre
W. Broadway and Granville (I.C.I.)
West 41st and Yew

VICTORIA
2252 Oak Bay

WHITE ROCK
**Semiahmoo Shopping Centre

Ken J. Webber
Regional Real Estate Manager
Prairie Region

PRAIRIE REGION

BRANDON
*636 Rosser

CALGARY
Centre Street N.E. and 13th
Centre Street S. near Glenmore
52nd Street N.E. and Madigan

EDMONTON
71st Street and 98th

LETHBRIDGE
*3rd Ave. and 7th

MEDICINE HAT
*3rd Street and 5th

RED DEER
*4928 Ross

REGINA
Albert Street N. and 3rd

SASKATOON
Plaza 22, Confederation Drive

WINNIPEG
*Pembina Highway and Hector

Gene L. Baillargeon
Regional Real Estate Manager
Southwestern Ontario Region

SOUTHWESTERN ONTARIO REGION

LONDON
Commissioners east of Boler
*Huron and Highbury
King near Waterloo (I.C.I.)
Pall Mall near Richmond
Sherwood Forest Mall
Wellington Road S. and Bradley
Wonderland Road at Westmount Mall

NORWICH
Stover near Main

SARNIA
London Road across from Lambton Mall

STRATHROY
Caradoc and Ontario

ST. THOMAS
*Talbot and Elgin

WOODSTOCK
Dundas and Clarke

Robert C. Mair
Regional Real Estate Manager
Midwestern Ontario Region

MIDWESTERN ONTARIO REGION

CAMBRIDGE
Hespeler Road and Bishop

ELMIRA
*53 Arthur

GUELPH
Woolwich near Wyndham

HANOVER
10th Street near 7th

KITCHENER
Frederick and Edna
*King and Water
Queen near Courtland

STRATFORD
*Downie and Albert

WATERLOO
*Weber and Lincoln
King and Union

Nat Green
Regional Real Estate Manager
Hamilton/Niagara, Central Ontario and Northern Ontario/Quebec/Atlantic Regions

HAMILTON/NIAGARA REGION

BURLINGTON
Fairview and Walker's Line

DUNDAS
King and Sydenham

HAMILTON
Upper James and Brucedale

NIAGARA FALLS
*Queen and St. Clair

ST. CATHARINES
Welland and Clark

WELLAND
*Main and Cross

CENTRAL ONTARIO REGION

BARRIE
Dunlop and Memorial

BRAMPTON
Bramalea Road and Steeles
*Main and Queen

HALTON HILLS
*Main and James

MISSISSAUGA
*Highway 10 south of 5

OAKVILLE
*Trafalgar and Lakeshore

ORANGEVILLE
Broadway near 1st

OSHAWA
*Simcoe and Bond

RICHMOND HILL
Hillcrest Mall

TORONTO EAST
Eglinton and Kennedy
Shoppers' World

TORONTO NORTH
Yonge and Sheppard

TORONTO WEST
Bloor near Royal York
*Eglinton W. and Castle Knock
Markland Wood Plaza
Rexdale near Islington (I.C.I.)

NORTHERN ONTARIO/QUEBEC/ATLANTIC REGION

OTTAWA
Carling and Merivale

MORTGAGE OFFICES

KAMLOOPS
190 - 546 St. Paul

OWEN SOUND
830 - 3rd Ave. E.

TORONTO
Bloor and Jarvis

Canada Trust